Weekend FT

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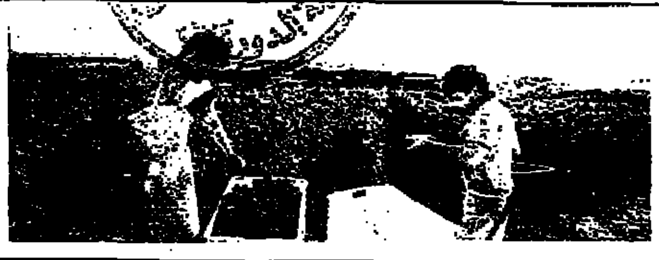
A cut-price ghost town

The recession has devastated property developers such as Stuart Lipton (*left*) and Godfrey Bradman. Can London recover from the blow? .... Page I



The bubble bursts

Harvesting grapes for Champagne is costly. But is bubbly now too expensive to drink? ....Page VIII

Shop 'til you drop

A sales guide to Tokyo, Paris, London and Germany ...... Page VII

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,655
Weekend January 11/January 12 1992
D 8523A

WORLD NEWS

IRA bomb explodes in heart of Whitehall

An IRA bomb exploded in the heart of Whitehall, minutes after prime minister John Major left nearby Downing Street to go to Conservative Central Office. The 5lb bomb, concealed in a leather briefcase, was left near government buildings, 300 yards from Downing Street. It caused no casualties but damaged cars and some windows in the area.

The IRA warned of further similar attacks if there was not an end to "British interference" in Irish affairs. IRA bombers exploit gaps in mainland defences, Page 4

Kazakhstan arms move

The republic of Kazakhstan threatened to form its own armed forces and sell arms abroad, as the crisis deepened over control of the military within the Commonwealth of Independent States, the successor body to the Soviet Union. Page 2; Arms cuts agreed with Nato, Page 2

12 die in Israeli raid

Israeli aircraft killed at least 12 people, including five women and four children, in their first raid on Palestinian guerrilla bases in Lebanon this year, security sources said. Twelve people were wounded. Israel upset by UN Jerusalem reference, Page 3

FBI crime switch

The US Federal Bureau of Investigations is transferring 300 agents from its counter-intelligence forces to the war against violent street gangs. It believes the collapse of the Warsaw Pact has reduced the threat of eastern bloc espionage. Page 2

UN summit date

A summit meeting of the 15 UN Security Council members will take place in New York on January 31. UN secretary-general Boutros Boutros Ghali said. The summit will discuss strengthening the UN's role.

EC truce monitoring

The European Community resumed truce monitoring in Yugoslavia but it was confined to land observer operations only. The monitoring had been suspended after five EC observers were killed when their helicopter was shot down.

House prices decline

House prices in Britain fell 3.5 per cent last year, Halifax Building Society reported. It was the first annual decline since the Halifax House Price Index began in 1983. Page 4

Dutch trip to go ahead

Dutch prime minister Ruud Lubbers will go ahead with a planned visit to South Africa in February in spite of a call from the African National Congress to cancel the trip. The ANC said the trip would confer legitimacy on "an illegitimate regime".

Women's rights backed

A Japanese court set an important precedent for equality in the country's workplace by ordering a bank to recognise that women can be the head of a household and have an equal entitlement to family allowances. Page 3

British beef approved

A team of Russian vets gave the all-clear for a consignment of about 2,000 tonnes of British beef to be sent to Russia but said future shipments could still face difficulties over fears of "mad cow" disease.

BUSINESS SUMMARY

Shock among banks over Russian debt interest plea

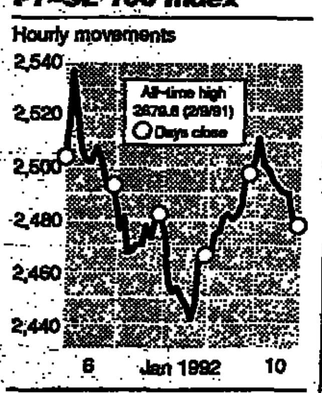
Western bankers were shocked by Russia's announcement that it wanted a deferral of interest payments on $84bn (£46bn) of debt owed by the former Soviet Union to commercial banks and western governments.

The Russian central bank chairman said the deferral would be sought at a meeting with a steering committee representing commercial banks in Frankfurt on Tuesday. Page 22

EQUITIES continued unsettled in a volatile session influenced by currency uncertainties. The firmness of the US dollar did not protect blue chip internationals from profit-taking as the equity market trading account came to its end. The FT-SE 100 Index closed at 2,477.9, retaining a gain of about 2.4 per cent over the two-week account. This has seen UK equities encouraged by Wall Street but concerned by the pound's slide to its lowest permitted level in the exchange rate mechanism. Page 12 and 13; Weekend, II

FT-SE 100 Index

Hourly movements



US UNEMPLOYMENT rate rose to 7.1 per cent last month, its highest level for five years. President George Bush said he was disappointed but claimed his efforts to open Asian markets would create more jobs. Page 22

BRITISH GAS revised its conditions for accepting a deal intended to head off a Monopolies and Mergers Commission investigation into its dominance of the industrial gas market. Page 22

AUSTRALIAN dollar fell to its lowest level against the US dollar for nearly three years in spite of concerted intervention by the Reserve Bank of Australia. Page 2

UK GROWTH is expected to be only 1.4 per cent this year, according to the latest survey of UK forecasts by Consensus Economics. Page 3

SWEDEN'S coalition government announced net spending cuts of SKr14bn (£1.36bn) in its first budget for the financial year starting July 1. Page 2

UK PHONE SERVICES: A new code of practice was announced by the supervisory body for the industry to crack down on abuses of premium rate services. Page 5

MACDONALD Publishing, Maxwell Communication Corporation's loss-making publisher whose imprints include Sphere, Abacus, Cardinal and Futura, was placed into administration by the High Court.

GROUPE BULL, loss-making French computer maker, is in the final stage of choosing between rival offers from US computer companies IBM and Hewlett Packard for a technology and equity investment partnership. Page 18

MARKETS

STERLING
New York lunchtime:
$1.7875
London:
$1.784 (1.8285)
DM2.84 (2.83)
FFr9.6875 (9.655)
SFr2.5275 (2.5275)
Y227.75 (229.5)
£ Index 90.4 (91.0)

GOLD
New York Comex Feb
$356.9 (357.5)
London:
$357.75 (353.75)

N SEA OIL (Argus)
Brent 15-day
$17.1 (17)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime:
DM1.585
FFr5.4005
SFr1.4125
Y127.15
London:
DM1.5825 (1.5475)
FFr5.4 (5.28)
SFr1.4095 (1.3825)
Y127.0 (125.45)
$ Index 62.2 (61.1)
Tokyo close: Y125.85

US LUNCHTIME RATES
Fed Funds: 3⅞%
3-mo Treasury Bills:
3.921%
Long Bond:
108¼
yield: 7.468%

STOCK INDICES
FT-SE 100:
2,477.9 (−20.0)
FT-A All-Share:
1,182.19 (−0.8%)
FT-SE Eurotrack 100:
1,105.40 (+5.38)
New York lunchtime:
DJ Ind. Av.
3,192.98 (−16.55)
S&P Comp
414.24 (−3.37)
Tokyo: Nikkei
22,381.90 (−731.74)

LONDON MONEY
3-month interbank:
$10\frac{11}{16}$% (10⅝)
Liffe long gilt future:
Mar $96\frac{15}{32}$ (Mar 97⅜)

Major sets framework for election manifesto

By Ralph Atkins

MR JOHN MAJOR yesterday set the framework of a Conservative manifesto for this year's general election centred on lower taxation, privatisation, environmental protection and improving public services.

As Labour joined the Tories in promising no let-up in the feverish election atmosphere at Westminster, the prime minister held a second day of talks with cabinet ministers on the broad thrust and details of the party's manifesto.

Mr Chris Patten, Tory chairman, will start work soon on final drafting – although Mr Major has yet to see Mr Peter Lilley, trade and industry secretary, or Mr Kenneth Baker, home secretary, to discuss policy within their departments. His detailed consultations with ministers are designed to avoid a repeat of the disaster over the the poll tax, included by Mrs Margaret Thatcher in the 1987 manifesto.

Meanwhile, Treasury ministers yesterday met at the official residence of Mr Norman Lamont, the chancellor, at Chevening in Kent to discuss the Budget. Their meeting will end today.

Ministers have been deliberately reticent so far on the manifesto's contents and will try to control the disclosure of individual policy items in the coming months as part of a carefully designed general election strategy.

However, it is clear that the main pledges will include the privatisation of British Rail and British Coal, cuts in the basic rate of income tax and a tough stance on inflation.

A promise to cut inheritance tax will be targeted at boosting support among Tory voters in south-east England.

Labour tax plan for Scotland ....Page 4
Editorial Comment...Page 6

Public services will be improved under the Citizen's Charter while the social security system is to be enhanced as a "safety net" for the less well off. Child benefit will continue to be up-rated in line with inflation. Further trade union reforms will be made.

The government is already consulting on its plans for an environment agency, and detailed proposals will be included in the manifesto.

Mr Tom King, defence secretary, and Mr Douglas Hurd, foreign secretary, will spearhead an attack on Labour's defence and foreign affairs policies next week.

Mr Neil Kinnock, Labour leader, is to address a rally on Sunday in York, setting out his party's agenda for the election. Liberal Democrats hold their own rally in London today.

Further squalls over tax policy – which have dominated the political agenda this week – resurfaced yesterday, when Mr Hurd used a speech in Wolverhampton to accuse Labour of being prepared to destroy incentives and jobs to make themselves "feel better".

In response, Mr Gordon Brown, Labour's trade and industry spokesman, said Chevening should be used to draw up an immediate package of incentives for investment and training. Mr Alan Beith, Liberal Democrat Treasury spokesman, said it would be "politically dishonest" for the government to cut income tax in the Budget and called for increased public investment.

Out of the spotlight: Gerald Ratner stands back as photographers take pictures of the new chairman Trevor Humphries

Ratner steps down as chairman

By John Thornhill

MR GERALD RATNER, who built Ratners Group into the world's biggest jewellery company, stepped down as chairman yesterday and revealed a severe fall in sales over the Christmas trading period.

The flamboyant businessman, who last year caused a furore of controversy by publicly labelling one of his company's products as "crap", will retain his role as chief executive and will continue to play a central role in trying to improve the fortunes of the financially-stretched group.

Mr Jim McAdam, 61, the former deputy chairman of the Coats Viyella textiles group, will fill the position of executive chairman. His appointment was welcomed by the company's principal bankers which said they would maintain their "close working relationship with the company on an ongoing basis".

■ Men in the news: Gerald Ratner and Jim McAdam ......Page 6
■ Lex ....Page 22

Following a 15 per cent fall in UK jewellery sales in the vital six weeks before Christmas, Ratners announced that it was likely only to break even in the year to February 1. But interest payments of about £27m and exceptional costs of £45m will drag the company into a total loss of £72m.

The company would not confirm whether it had been in breach of its banking covenants - as had been widely suggested in the City - but revealed that debt at December 27 stood at £217m. No material change was expected by the end of the financial year.

The company said no final dividend would be paid on the ordinary shares and those on the preference dividends would "be kept under review".

The trading results were worse than the City had feared. One fund manager said: "I don't suppose anyone expected trading conditions to be so tough – we certainly didn't expect Christmas to be cancelled."

Mr Ratner was unusually taciturn as he talked about developments at his Mayfair headquarters. But he said that Mr McAdam would be a "tremendous asset" to the company.

"He has got a lot of experi-
Continued on Page 22

Brittan warns against devaluation

By Peter Marsh and Ivor Owen

THE BATTLE to defend the pound was joined yesterday by Sir Leon Brittan, European Community competition commissioner, and Mr Douglas Hurd, UK foreign secretary. Both warned of the dangers of a sterling devaluation.

Sir Leon, a former UK cabinet minister, said devaluation could add two percentage points to UK interest rates, while Mr Hurd said such an option would be "defeatist".

Their comments helped reduce the pressure on sterling, which for much of this week has traded close to its effective floor in the European exchange rate mechanism (ERM), partly due to worries about the UK economy.

Sterling was also aided by currency investors switching out of D-Marks and into dollars, prompted by indications that the German economy might be slowing and activity in the US picking up.

The weaker D-Mark eased strains on all other ERM currencies, with sterling closing in London at DM2.84, up a pfennig on the day and comfortably above its effective ERM limit of about DM2.832. The dollar closed at DM1.5825, a rise of nearly 7 pfennigs in two days.

Mr Norman Lamont, the UK chancellor, has ruled out a devaluation, which some believe would aid exports and allow a cut in interest rates.
Continued on Page 22

Hurd adamant, Page 4
Currencies, Page 11
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France signals reversal of national defence doctrine

By Ian Davidson in Paris

FRANCE signalled a historic reversal of its national defence doctrine yesterday, offering for the first time to discuss its nuclear capability with its European Community partners as part of the development of a common defence policy.

The offer departs from France's long-standing insistence that its nuclear weapons and nuclear doctrine could only be matters of French concern.

The abandonment of this central tenet of French independence, a constant of defence policy since General de Gaulle founded the Fifth Republic 33 years ago, could break the national consensus on nuclear strategy which has largely protected France from anti-nuclear movements.

It will provoke controversy among the conservative Gaullist party, and is likely to stir debate on the prospects of a European defence policy in the rest of the EC, particularly Britain – western Europe's other nuclear-armed state.

Launching a debate on the treaties agreed at last month's Maastricht summit, which include a long-term commitment to the development of a European defence policy, President François Mitterrand said the debate over the defence of Europe would raise issues which must be resolved, notably that of nuclear weapons.

"Only two countries in the Community have nuclear weapons," he said. "Is it possible to conceive a European doctrine? This will very quickly be the major question of a common defence policy."

President Mitterrand's question clearly implies that France at least would be prepared to discuss the possibility of such a European doctrine.

He did not indicate what such a doctrine should consist of, but the inference is that the other members of the 12 would be invited to take part in the formulation of the doctrine which would in future govern French (and no doubt British) nuclear weapons.

His proposal is quite different from the suggestion repeated yesterday by Mr Jacques Delors, president of the European Commission, that French nuclear weapons should one day be transferred to a "very strong European political union". On the contrary, President Mitterrand's proposal would appear to combine French national control with a European doctrine.

President Mitterrand said the nuclear question needed to be tackled "very quickly". This is no doubt due to the civil war in Yugoslavia, and the political struggles between the nuclear-armed republics of the former Soviet Union.

However, the nuclear issue may also be critical for unlocking Europe's internal defence debate. In the past, French practical insistence on a purely national nuclear policy has not only been poles apart from its rhetoric over the need for a European defence policy, but has also been a point of friction with Germany.

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CIS military crisis deepens

Kazakhs threaten to form their own forces

By John Lloyd in Moscow

THE republic of Kazakhstan yesterday threatened to form its own armed forces and sell arms abroad, as the crisis deepened within the military structures of the Commonwealth of Independent States, the successor body to the Soviet Union.

Mr Nursultan Nazarbayev, the Kazakh president, promised the republic would take its own measures in response to an oath which Russian president Boris Yeltsin has said must be sworn by all members of the formerly Soviet military.

The oath pledges allegiance to "the Russian Federation and its people", and appears to apply to soldiers of every nationality serving in any republic.

"All officers and men must remain loyal to the first oath that they took [of allegiance to the USSR]," said Mr Nazarbayev.

The republic's security council yesterday decided to form a national guard of 2,000 men; and Mr Daulet Simbayev, the deputy prime minister, said the republic could soon start selling arms abroad.

The move came as the commonwealth's foreign ministers met in Moscow, with control of the Black Sea Fleet high on the agenda of talks which Mr Andrei Kozyrev, the Russian foreign minister, said would have to deal with "acute problems".

The war of words between Russia and Ukraine over the fleet continued yesterday, as Admiral Igor Kasotonov, the fleet commander, said that dividing the ships would upset the strategic balance of forces in the area in favour of the US Sixth Fleet. He said the Ukrainian demands for control of the fleet were "absurd and untenable", and accused the Ukrainian defence ministry of incompetence.

Lt Col Sergei Starykh, chairman of the Independent Association of Officers of the Ukraine, said air force pilots based in the republic might soon start repatriating their aircraft to Russian airfields because of the "psychological pressures" put on the officers to sign an oath of loyalty to Ukraine.

He claimed that half the personnel in the seven air force units in the republic had refused to take the oath.

In comments to a visiting US delegation, Mr Leonid Kravchuk, the Ukrainian president, has said the republic intends to remove all tactical nuclear weapons from the territory by July this year and destroy all strategic weapons by 1994. All 176 launch silos would be destroyed within three years, instead of 130 within seven years as stipulated in the strategic arms reduction treaty treaty signed between the US and the Soviet Union, he said.

Mr Kravchuk said he would soon have a "special device" in his office which would block the launching of any missiles anywhere in the former Soviet Union without the consent of all of the presidents of the states with strategic missiles – Russia, Ukraine, Kazakhstan and Belarus.

EX-SOVIET REPUBLICS AGREE TO CUT ARMS

REPUBLICS of the former Soviet Union agreed in talks at Nato headquarters in Brussels yesterday to enforce reductions in heavy army weapons and aircraft as soon as possible and without renegotiating the 1990 Conventional Arms Forces in Europe treaty, David White writes.

The agreement to assume Soviet treaty obligations was reached at talks attended by officials from 10 former Soviet republics, including the three Baltic states, as well as other members of the defunct Warsaw Pact and Nato allies. The Baltic states are considered as being outside the treaty, but it is thought they may later join it.

Mr Dick Cheney, US defence secretary, warned yesterday that the Black Sea row might lead to a dispute about control of the nuclear stockpile. The US was watching the situation "very carefully", he said before leaving the UK for Germany.

Under yesterday's agreement, Russia, Ukraine and the other newly independent states are to share out the Soviet Union's arms cuts "in a manner acceptable to all parties" to the CFE treaty.

They agreed they should all ratify the treaty, which the Soviet Union failed to do before its demise. Some updating of the treaty would be needed after it came into effect.

The meeting was the first of its kind. More talks are planned on February 14.

Top Yugoslav air force officer to face charges

By David Gardner in Brussels and Judy Dempsey in Sarajevo

THE Yugoslav Defence Ministry said yesterday an officer in the air force high command would face criminal proceedings, and four other officers military disciplinary action over the downing of an EC helicopter.

It said the incident, in which four Italian and a French observer were killed, had occurred because of "mistakes by higher organs" (in the air force) and due to a number of adverse circumstances caused by the exceptionally complex situation in Yugoslav air space".

Meanwhile the European Community yesterday decided to reactivate its ceasefire monitoring mission in Yugoslavia on a "day-to-day basis", and indicated that the Twelve would recognise Slovenia and Croatia next week.

The 170 monitors in Yugoslavia are to work with the 50 UN liaison personnel being sent in advance of 10,000 peacekeeping troops.

The UN observers are to arrive in Croatia on Tuesday. Half the observers will monitor the ceasefire, which yesterday held for an eighth day. The rest will be dispatched to the Croatian-Serbian border.

If the ceasefire holds, the UN troops will go to Krajina, the Serb-inhabited region of south-west Croatia which has declared itself a republic.

Mr Milan Babic, the leader of Krajina, has said he wants UN troops deployed elsewhere in the republic, and that his troops will not disarm unless there was a simultaneous disarming of Croat forces.

In Brussels, EC foreign ministers lifted sanctions against Montenegro, the main ally of Serbia, which remains the only Yugoslav republic cut off from EC aid and credit.

The ministers looked set recognise Croatia next week, although some member states argued yesterday that recognition pre-empted EC peace negotiations aimed at pinning down guarantees and self-government for the Serbian minority in Croatia - the central dispute of the war.

The claim to recognition of Bosnia-Hercegovina looked certain to be rejected, on the grounds that its three-way population split between Serbs, Croats and Moslems offered no foundation for consensual independence, and risked sparking another Croatia. Macedonia's claim was being blocked by Greek insistence that its recognition could lead to claims on Greece's province of Macedonia.

● The ministers decided new agreements were needed with the former Soviet republics, to bind them into western Europe's free market and democratic system.

It was agreed that traditional trade and co-operation agreements were insufficient for states committed to democratisation and transition to the market economy.

The Commission argued for intermediate treaties between these and the so-called Europe agreements signed last month with Hungary, Czechoslovakia and Poland, which refer to these countries joining the EC in future.

The object would be "the widest possible opening of markets" and "special emphasis on support for institution building and the strengthening of civil society," the Commission told ministers.

Senior diplomats said that efforts to seek such agreements would concentrate initially on Russia, Ukraine and Belorus.

G-men take to the mean streets

By George Graham in Washington

THE end of the Cold War is yielding an unusual peace dividend to crime fighters on American city streets.

The US Federal Bureau of Investigations has decided that the collapse of the Warsaw Pact has so reduced the threat of eastern bloc espionage that it can transfer 300 agents from its counter-intelligence forces to the war against violent street gangs.

The policy shift will increase the number of FBI agents assigned to tackling violent crime to 1,925, with special task forces to target gangs in Baltimore, Dallas, Atlanta and Washington DC.

With a record 24,020 murders recorded in 1991, roughly one for every 10,000 Americans, violent crime has become a bitter everyday reality in the US.

Nowhere is the problem worse than in the urban battlegrounds where drug-dealing street gangs fight each other to protect their turf.

The Justice Department estimates that there are 300,000 to 350,000 gang members in the US. Some gangs are local, like Washington DC's R Street Crew or New York's Vietnamese Born To Kill gang, but several, such as the Jamaican Posse or the Outlaw Motorcycle gangs, have spread nationwide.

"There are 20,000 Jamaican Posse members; 50,000 Outlaw Motorcycle gang members and associates; 26,000 Crips, 10,000 Bloods and 64,000 other street gang members in the Los Angeles area alone," says Mr Stephen Higgins, director of the Bureau of Alcohol, Tobacco and Firearms, which has teamed up with the FBI and state and local police forces to tackle the gangs.

Justice officials say task forces have beaten individual gangs: after a 1989 blitz broke the El Rukns' control of Chicago's south side, police last October arrested more than 60 leaders of the Vice Lords, who dominate the west side.

Officials claim success against Philadelphia's OK Corral, and this week a federal task force led a series of raids designed to break up Atlanta's I Refuse gang.

Attorney General William Barr says state and local law enforcement agencies, which handle 98 per cent of violent crime prosecutions in the US, do not always have the legal weapons to tackle the gangs.

"They do not have appropriate pre-trial detention, they do not have adequate sentences and they do not have prison capacity to incarcerate the prisoners once they're convicted. As a result, many jurisdictions have revolving door justice," he complains.

The FBI and the ATF, on the other hand, can use tough federal firearms and drugs statutes, as well as racketeering laws, to obtain long sentences. Prisoners in federal prisons serve at least 85 per cent of their term, while state prison inmates can be let out for good behaviour after serving only half their sentences.

"Our message to gang members and leaders is this: when we throw the federal book at you, it will be a knockout blow. There will be no bail, no probation, no parole. You will be put away in federal penitentiary for a long time," Mr Barr thundered.

Federal agencies can also use conspiracy and organised crime statutes, and the attorney general wants to introduce a new racketeering law tailor-made to catch street gangs.

But critics charge that the 300 agents will be just a drop in the bucket in a battle that falls essentially to state and local police forces.

"They, not former counterespionage FBI agents, have to fight most of the violent street crime in America," complained Congressman Charles Schumer of New York.

Dunkel plays down Gatt meeting

By Frances Williams in Geneva and Anthony McDermott in London

MR Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), yesterday played down the significance of a meeting to gauge governments' responses to draft Uruguay Round accords.

He told a news conference that the 108 members of the Trade Negotiations Committee (TNC) would not be asked at the meeting next Monday to accept or reject the 436-page draft "final act" presented on December 20, but only to say whether it served as the basis for concluding the round "in the next weeks". He detected a "strong consensus" among governments to "enter the final sprint", with the objective of completing the talks by Easter.

Mr Dunkel's formula provides a political escape route for the European Community, which has said the agriculture text as it stands is "unacceptable", allowing it to call for changes without scuppering the entire package. Other countries, including the US and Japan, also want some renegotiation of the draft, which is based on five years of talks.

EC farm and trade ministers meeting in Brussels last night seemed set to lend guarded support to the draft but were expected to restate their deep-seated objections to the agriculture text and some other aspects of the Gatt plan. Their review was expected to continue today.

In London, Mr Peter Lilley, the UK trade secretary, before leaving for the Brussels meeting, echoed Mr Dunkel's position, but with some reservation. He said the EC should produce positions "very close to what Mr Dunkel proposes", providing the "basis for a successful agreement", and not just raise objections.

Nevertheless he thought the chances of an agreement being reached by April were only "slightly over 50 per cent". He was still optimistic, but "I've been more optimistic in the past." Nevertheless the UK would be arguing for "a positive response".

Mr Dunkel said governments were in no position to accept the package because they had yet to see the results of detailed negotiations on tariff cuts for goods, including farm products, and market-opening measures for services. Tariff negotiations are due to be completed by March 31.

There will also be some tidying-up of the draft "final act" by a legal and drafting committee. Meanwhile, a "fourth track" under TNC auspices allows for consensual changes to the December package.

Describing that package as "mainly and fundamentally negotiated" by participants, Mr Dunkel said governments with problems in any area should first discuss them with trading partners. If countries agreed amendments among themselves, they would be incorporated. But he would not be drawn on how much change was likely or necessary.

HANDS UP: Gatt director general Arthur Dunkel in Geneva yesterday.

Kohl sets out new year's agenda

By Christopher Parkes in Bonn

CHANCELLOR Helmut Kohl yesterday set out his agenda for 1992, declaring that Germany must review all its priorities in the light of recent developments, which are stretching financial and political resources.

He would not, however, surrender the federal republic's growing role in international affairs.

With 80m people and a powerful economy, everyone could see that Germany was a strong country, he said, just as everyone could see what the weather was like by looking out of the window.

Speeding recovery in the former East Germany was the main task, he told his first press conference of the year. This, in turn, depended on securing Germany's position as a leading industrial power, and he stressed the need for wage restraint in this year's pay round to help secure growth, jobs and stability.

The chancellor shrugged off concerns about the increased power and assertiveness of the united Germany. Taking a leading role in helping eastern Europe and unifying the west was the best way of dispelling the "historic image of the ugly German", he said.

"One must live with critics. If you only want to be liked then you end up without influence, and in the end you are more alone than ever."

Avoiding direct comments on the much-criticised recent increase in German interest rates, he said long-term rates had not increased and those were the ones that mattered.

He was happy to see Japan and the US prepared to co-operate to stimulate economic relations, but, he said, "this will not solve our problems."

Traditionally careful to steer clear of involvement in industrial dealings, Mr Kohl has become increasingly embroiled in this year's pay round as union claims for increases of 10 per cent and more have emerged as the main danger to the Bundesbank's price-control policy.

His intervention and the importance he has attached to stability reflect growing worries over the fragile economic recovery in the east and its dependence on heavy cash transfers from a weakening economy in the west of the country.

High interest rates have hit the capital-intensive construction industry which is the main source of growth in Germany's five new states.

Although the chancellor said yesterday that 1992 would be a "strong" year for eastern Germany, he warned of a sharp increase in unemployment in the next few months, to be followed by an improvement in the second half.

Mr Kohl said the country also needed to review its industrial priorities. He wanted first to push through a corporate tax reform programme this year. Other factors which might have to be looked at included indirect labour costs, over-generous pay deals and the shortest working hours in Europe, which, he said, had made Germany into "the holiday republic".

Mr Hans Tietmeyer, deputy president of the Bundesbank, warned that German industry's international competitiveness would be damaged if this year's wage settlements were as high as last year's level of around 7 per cent, writes Andrew Fisher in Frankfurt.

He also said German interest rate levels would have to stay "relatively high" in the foreseeable future.

Reiterating the central bank's determination to keep monetary policy tight to avert further inflation – last month's annual rate was 4.2 per cent – he said moderate pay deals would not mean less purchasing power, since employees would also benefit from lower inflation.

Swedish budget cuts spending sharply

Wibble: tight policy

SWEDEN'S non-socialist coalition government announced net spending cuts of SKr14bn (£1.35bn) in its first budget for the next financial year starting on July 1, presented to parliament yesterday, Robert Taylor writes from Stockholm. The cuts amount to just over 3.5 per cent of total government expenditure in 1992-1993.

But the government still faces a budget deficit of SKr70.8bn, mainly because of falling tax revenues and the cost of rising unemployment.

Mrs Ann Wibble, the finance minister, said a further SKr10bn worth of net tax cuts would be needed in every financial year until the middle of the 1990s to stimulate a business recovery.

She insisted the government would maintain a "permanently tight fiscal policy and a fixed exchange rate".

The highest priorities would be to secure a low inflation rate, reduce unit labour costs and stimulate productivity through improved competitiveness. Mrs Wibble said the budget sought to create conditions for an export-led recovery from next year. The government also hoped to see a substantial increase in private saving.

The Stockholm bourse reacted positively to the budget and the general index rose by 0.9 per cent yesterday.

Sweden's tax revenues as a percentage of gross domestic product will fall to 52.2 per cent next year from 53.5 per cent in 1991, while state outlays will actually increase slightly from 63.8 per cent in 1991 to 64.2 per cent next year.

The proposals to reduce public spending include higher charges on dental treatment and medicine, the end of benefits for the first two days of sickness absence, a decrease in housing subsidies and removal of subsidies from business and commerce.

The government plans to increase spending on the disabled, single parents, infrastructure projects, education and aid to eastern Europe.

Mrs Wibble said the budget would not hit living standards. This year private consumption is set to rise 0.5 per cent.

Mexican inflation at 13-year low

By Damian Fraser in Mexico City

MEXICO'S inflation rate slowed to 18.8 per cent in 1991, almost 5 points higher than the government's target, but still the lowest annual rate in 13 years.

December's monthly inflation rate was 2.4 per cent, reflecting in part a 5.3 per cent increase in transport costs resulting from November's 55 per cent rise in leaded petrol prices.

Over the year costs of transport, education, and housing and utilities increased by 29.8 per cent, 24.1 per cent, and 23.9 per cent respectively. Mr Jesus Reyes Heroles, of the consultancy Grupo de Economistas y Asociados, attributes these increases to bottlenecks in the provision of some non-tradeable goods, and rises in government-controlled prices.

The prices of food, clothes, consumer goods and other tradeable products rose less than the average, thanks partly to the roughly 10 per cent real appreciation of the peso against the US dollar during 1991.

The government has made the reduction of inflation to single digits its principal economic goal this year. To that end, it recently halved the nominal peso depreciation against the dollar to 2.4 per cent a year, and plans to run a budget surplus in 1992. Most private sector analysts reckon the government target is too ambitious.

Australian dollar down after rate cut

By Kevin Brown in Sydney

CONCERTED intervention by the Reserve Bank of Australia failed yesterday to prevent the Australian dollar falling to its lowest level against the US dollar in nearly three years.

Dealers said most of the selling pressure came from overseas investors reacting to a reduction in official interest rates of one percentage point to 7.5 per cent earlier this week. The Australian dollar's weakness came at the same time as the US dollar was rising sharply on world foreign exchange markets.

Investors were also concerned about speculation that the federal Labor government will significantly increase the budget deficit soon in an attempt to stimulate the flagging economy.

The dollar touched 73.8 US cents in early trading, its lowest since mid-1988, but recovered to just over 74 cents at the close in Sydney, nearly 8 per cent below its level in September, when it traded at just more than 80 cents.

In London it closed at 73.6, just above a low during European trading of 73.4. The RBA is thought to have spent more than A$1.5bn (£610m) to support the currency in the last two days, hoping to prevent a rapid decline which could damage hopes of an economic recovery.

However, the authorities appeared unconcerned by the size of the adjustment. Mr John Dawkins, the federal treasurer (finance minister), and Mr Bernie Fraser, the RBA governor, have both suggested a moderate fall in the dollar would benefit the economy.

Dealers said the decline was likely to continue over the next few weeks. Most said the currency was likely to stabilise at 70-72 cents, but some said it could fall as low as 68 cents.

The markets were also unsettled by uncertainty about the size of the fiscal stimulus expected to be announced in late February or early March.

Croatia's Serbs stake out their position

Judy Dempsey talks to the leaders of the self-proclaimed republic of Krajina

THE men from Knin appear as hard as the limestone in this wretchedly poor part of south-western Croatia.

Accused of trying to scupper the UN peace plan, the leaders of the self-proclaimed republic of Krajina, a Serb-inhabited area of Croatia, are quick to defend their position.

"We oppose the deployment of any peace-keeping forces in Croatia," Mr Lazar Macura, Krajina's minister of information, said yesterday.

The UN peace plan, agreed by Croatia, Serbia, and the federal army, envisages the complete withdrawal of the army from Croatia, the disarming of Croat and Serb paramilitary units, and the deployment of 10,000 troops in three regions in Krajina.

"What we object to is that the troops will only be sent to Krajina, and not to other parts of Croatia where Serbs should be protected," explains Mr Macura. "Furthermore, we and our people will not disarm, if the Croats do not simultaneously disarm."

Mr Macura – the right-hand man of Mr Milan Babic, a dentist, and leader of the Krajina republic – says he has no guarantees that the Croats will not "kill us Serbs. We have to defend ourselves against these Croats."

The Serbs in this part of Croatia have a long military tradition. They migrated to the region in the late 14th century, and then defended the Austro-Hungarian empire against incursions by the Ottoman empire.

"We even killed Serbs fighting on the Turkish side in our defence of Vienna," says Mr Macura. "We were loyal citizens and border guards of the Hapsburg Empire."

Nor will the people of the Krajina give up their independence, and live in an independent Croatia.

The population of Krajina, wedged between the Adriatic coast and the ethnically-mixed republic of Bosnia-Hercegovina, is now less than 380,000, since the Croats, who accounted for 15 per cent of the total inhabitants, have fled the region over the past year.

What upsets Mr Macura, Mr Babic, and other Krajina Serbs is the growing feeling of betrayal by Mr Slobodan Milosevic, the president of Serbia.

"We received assurances that Serbia would support us, but now Milosevic has signed the UN agreement," he explains. "Yes, Milosevic has betrayed us."

Mr Milosevic threw his weight behind Mr Babic last year in his determination to stem Croatia's move towards independence, protect the 600,000 Serbs in Croatia against discrimination, and create a greater Serbia. Serbia pays Krajina's pensioners and its unemployed. But now Mr Milosevic, fighting for his political survival, is trying to force Krajina into accepting the UN plan.

But Mr Macura believes the federal army will not betray the Serbs in Krajina. "I hope the army will be disobedient to Milosevic," he says, adding that General Ratko Mladic, the recently appointed federal army commander in Knin, may now defend the Serbs.

Officials in the Croatian government are determined not to allow Krajina to secede from an independent Croatia. Although the region is barren and impoverished, Knin, the capital of Krajina, is regarded as part of Croatia's history. It was once the seat of one of Croatia's kings.

Today, the existence of Serb Orthodox and Croat Catholic churches testifies to the rivalry between the two ethnic communities, each of which wants to claim Krajina as its own, now and in the future.

No ceasefire, and no UN plan, is likely to end this rivalry.

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INTERNATIONAL NEWS

Legal fillip for Japan's women

By Robert Thomson in Tokyo

A COURT yesterday set an important precedent for equality in the Japanese workplace by ordering a bank to recognise that women can be the head of a household and have an equal entitlement to family allowances.

In settling a decade-old dispute, Sendai High Court ruled that the Iwate bank had unfairly halted family allowance payments to an employee – a supplement on salary for spouse and children - after her previously unemployed husband found a job.

The bank had argued that even though Mrs Reiko Sugawara, 62, had registered as the household head, it was generally understood among Japanese that a man is the family head and therefore the payments to her should be stopped.

Under the bank's employment regulations, which are similar to those of many other Japanese companies, family allowances are paid to a male head of household regardless of his wife's salary, but allowances are paid to a woman only if her spouse's salary is less than Y1m a year.

The court ruled yesterday that this distinction is illegal under Japan's Labour Standards Law and ordered Iwate Bank to pay Y1.3m in back allowances to Mrs Sugawara.

Outside the courtroom, she said the decision was a sign that Japan is "headed in the direction of equality", though many companies still routinely discriminate against women.

Iwate Bank, which had appealed against a 1985 lower court judgment in Mrs Sugawara's favour.

The Nikkeiren, the employers' federation, said that the judgment appears to embody the spirit of the Equal Opportunities Employment Act of 1986.

Women account for about 38 per cent of Japan's labour force, up from 32 per cent in 1975, as the country's labour shortage has encouraged companies to offer more flexible conditions to married women, who traditionally left the workforce.

Miyazawa warns on US trade hopes

By Stefan Wagstyl in Tokyo

MR Kiichi Miyazawa, the Japanese prime minister, warned yesterday that it would take time before the measures agreed by him and President Bush would diminish the imbalance in trade.

He said the president's visit, which ended yesterday, would lead to an improvement in bilateral relations.

However, he said: "Japan is a country with a market economy and we can't manipulate these (trade) numbers."

Mr Miyazawa's cautious tone, in a speech in Tokyo, was in line with Mr Bush's own view that the economic agreements were "a significant but interim step" in achieving better balance in bilateral trade. The comments indicate that the US might launch fresh *trade initiatives in coming* months, especially if Mr Bush comes under more pressure to get tough with Japan.

The agreements reached during the president's visit which ended yesterday cover various industries, including cars. Under great pressure, Japanese car companies agreed to increase from $9bn in 1990 to $19bn in the 1994 fiscal year their purchases of US-made parts. This includes imports into Japan and local procurement in the US. The Japanese companies also agreed to increase the local content of their US-made cars from 50 per cent to 70 per cent and to increase imports of finished cars from the US by up to 20,000 vehicles.

However, Japanese officials and industry executives still believe that the US needs to make more efforts in the Japanese market. Mr Noboru Hatakeyama, the international affairs vice-minister at the *ministry of trade and industry*, said yesterday that the US had to cut consumption, increase its competitiveness and raise its commitment to exporting.

Parting gesture: President Bush and his wife Barbara leaving Tokyo yesterday

Bush wins few Japanese hearts and minds

The president's visit has stirred anti-American feelings, reports Stefan Wagstyl

PRESIDENT George Bush has left many Japanese disappointed with the *conduct of his visit, which* ended yesterday.

While Mr Kiichi Miyazawa, the prime minister, and his officials proclaimed the visit a success, the Japanese press, at least, have judged differently.

Newspaper commentaries said the president had insulted Japan by raising petty trade issues at a summit. There was also little reluctance to hit back and criticise the US president and his country.

Both governments will be disturbed to see that, for some Japanese at least, the visit seems to have aggravated latent anti-American sentiments. Though most Japanese are embarrassed by the more extreme instances of *kenbei* (hatred of the US), many have been struck by the president's failure to win much popular support during his visit.

There was sympathy for Mr Bush when he fell ill. There was also admiration for the president's quick recovery and the brave way in which Mrs Barbara Bush made light of her husband's illness and blamed it on his losing a game of tennis with the Emperor.

But this paled in comparison with anger at US officials' willingness to attack Japanese economic policies and paying too little attention to problems in their own backyard. A cartoon in the Yomiuri newspaper showed the president dressed as a cowboy sitting in front of *his wagon, with a re-election* slogan on his hat. However, the wagon is on fire – with Mr Miyazawa running to it carrying a bucket of water.

Analysts are dismayed at what they see as the president's crassness in lecturing Japan over its economic management. Mr Takahiro Ota, a columnist with the Asahi newspaper, asked: "Is there not a single decent individual in the Bush government who truly understands Japan?"

But there is also a sense of pride among Japanese that their country came out best in the comparisons made between the US and Japanese motor industries. Perhaps mistakenly, Mr Bush singled out the car industry for special treatment in the trade talks, insisting that Japanese companies increase purchases of US-made *cars and parts. Commentators,* Japanese and foreign alike, pointed out that American companies' failure to sell many cars in Japan was at least partly their own fault.

At times, this pride turned into blatant chauvinism. The Fuji Evening, a downmarket tabloid, yesterday ran a front-page story under the banner headline "American cars are scrap". It quoted an un-named Japanese motor industry executive as saying that Japanese companies had no choice about importing American cars. If they could not be sold, they would have to be turned into scrap.

Daily Gendai, another downmarket paper, quoted an alleged expert who said it would be cheaper for Japanese companies to dump American cars in the Pacific than try to sell them in Japan.

Mr Noboru Hatakeyama, the vice-minister for international affairs at the ministry for international trade and industry, said such sentiments may have been provoked by the widely-reported criticisms of Japanese trade practices by Mr Lee Iacocca, the Chrysler chairman, and American business leaders who accompanied the president.

Mr Hatakeyama added that the tabloid press did not reflect the opinions of most Japanese.

However, since the mid-1980s, Japanese leaders have themselves become increasingly willing to criticise the US. At his joint press conference with Mr Bush on Wednesday, Mr Miyazawa was not shy to name AIDS, homelessness and declining educational achievements among America's problems. Such bluntness before an honoured guest would have been unthinkable a few years ago.

Philippines close to IMF agreement

By Victor Mallet in Manila

THE Philippines has provisionally agreed with the International Monetary Fund the main points of its 1992 economic programme, except for additional state spending following the eruption of the Mount Pinatubo volcano last year, Mr Jesus Estanislao, the finance secretary, announced yesterday.

Mr Estanislao said he hoped the IMF would give its approval in February. He made clear, however, that success depended on the government's ability to persuade the reluctant Philippines Senate to approve tax reform measures to increase revenue, permitting the government to meet IMF fiscal targets.

The IMF has suspended payments from a $900m loan package agreed last year, and its refusal to endorse the Philippines has delayed other debt rescheduling agreements.

Mr Estanislao said the approval of at least some tax measures was crucial, but he suggested that the government would be prepared to cut expenditure in order to meet IMF budget targets if the Senate refused to back all the reforms.

He said the IMF had accepted a slight rise in budget expenditure in real terms for the year, a move which would theoretically leave the overall public sector deficit at less than 3 per cent of GDP or just under Pesos 39bn (£800m).

The Philippines has been given a breathing space by a recent improvement in the economy. Mr Estanislao predicted real growth of 2 to 3 per cent in 1992, with an acceleration in the rate expected during the second half of the year. "Substantial progress has been made in stabilising the economy," he said.

Israel upset by UN Jerusalem reference

By Judy Maltz in Jerusalem

ISRAEL has asked the US to explain why it supported a resolution which refers to Jerusalem as part of the occupied Palestinian territories.

The resolution, which strongly condemned Israel's plans to expel 12 Palestinians from the occupied territories, was passed unanimously by the UN Security Council this week. The term "occupied Palestinian territories" appears twice in the resolution.

Israel is extremely sensitive to international declarations which cast doubt on its sovereignty over Jerusalem. Official US policy holds that the status of the city should be determined in negotiations, but that it should not be divided.

The status of Jerusalem is expected to be one of the big obstacles in the Arab-Israeli peace talks. The third round is scheduled to resume in Washington tomorrow.

According to various opinion polls in Israel, more than half the population would be willing to make some sort of territorial concession involving the West Bank and the Gaza Strip, but only a small minority are prepared to relinquish sovereignty over Jerusalem.

US officials tried to play down the significance of the wording of the resolution, saying it was merely a geographical description of the territories located over the "green line" – Israel's pre-1967 borders. Israel annexed Arab East Jerusalem shortly after its capture in the 1967 War.

● Israeli aircraft killed at least 12 Palestinian guerrillas and wounded 12 yesterday, in their first raid on Lebanon this year, security sources said, Reuter reports from Beirut.

The jets bombed bases of the Popular Front for the Liberation of Palestine-General Command (PFLP-GC) near Na'ameh, 9 miles south of Beirut, Palestinians said.

The bases of the PFLP-GC, a radical group opposed to the peace policies of the Palestine Liberation Organisation, have been frequent targets for Israeli fighter aircraft and commandos.

IRA bombs in London

Jan 10 1992: briefcase bomb explodes in Whitehall.
Dec 23 1991: Underground shut after incendiary devices found.
Dec 16 1991: small explosion on track near Clapham Junction closes mainline stations in London.
Dec 15 1991: firebomb explodes in Sainsbury wing of National Gallery.
Dec 1 1991: firebombs damage three shops in Tottenham Court Rd. and factory in Islington.
Aug 8 1991: firebomb discovered in bookshop in Charing Cross Rd.
Aug 5 1991: firebomb destroys lounge of pub in Charing Cross Rd.
Feb 18 1991: two bombs explode at Paddington and Victoria stations, killing one and injuring 38.
Feb 7 1991: mortar bomb fired at Downing St.
Sept 27 1990: lunchbox bomb defused at anti-terrorism conference in Park Place, St James's.
July 20 1990: bomb explodes at Stock Exchange.
July 6 1990: bomb in Strand litter bin brings central London to a halt.
June 25 1991: bomb at Carlton Club, St James's, injures seven.
June 9 1990: bomb at Honourable Artillery HQ injures 17.
Aug 1 1988: bomb explodes at Inglis Barracks, killing one and injuring eight.
Dec 17 1983: car bomb at Harrods kills six and injures 91.
July 20 1982: car bomb explodes at Hyde Park during Blues and Royals parade. Four army and civilian deaths, 20 injured.
July 20 1982: bomb explodes under bandstand in Regents Park, killing seven and injuring 30.
Oct 26 1981: army explosives expert dies trying to defuse bomb outside Wimpy Bar in Oxford Street.
Oct 10 1981: nail bomb outside Chelsea Barracks kills two and injures 40.

Tony Andrews

Bomb site: the remains of a car (left) in Whitehall Place yesterday after terrorists exploded a 5lb device in a briefcase on the street. A sniffer dog (right) checks for further devices

IRA bombers exploit gaps in mainland defences

Jimmy Burns on the difficulties of countering terrorists' ever changing tactics

THE IRA bomb attack in Whitehall yesterday has again highlighted the difficulties faced by the security forces in countering one of the best organised and determined terrorist organisations in the world.

It was the latest incident in a long-running IRA campaign on the mainland and in Northern Ireland that has deliberately avoided following a set pattern. IRA tactics during the past 18 months have included fire-bombing shops, disrupting railway lines and shooting military personnel, in addition to the continual threat to any "legitimate political target" – anyone considered to be working for the British state.

One security expert with extensive experience of dealing with IRA terrorism conceded last night: "London is proving very difficult to defend because the IRA has so many targets and a variety of methods of attack."

From the IRA's perspective, yesterday's bomb was another coup. While requiring some preparatory reconnaissance of the area, the small bomb in a suitcase is the type of device that will have barely strained the organisation's military resources. Yet it prompted political reaction and media coverage quite out of proportion to the limited physical damage caused.

While political reaction continues to be focused on condemnation of the IRA and calls for increased security, yesterday's bombing has again raised questions about the effectiveness of current security measures, and whether the IRA can be militarily neutralised.

Since the IRA's last intrusion into Whitehall – the mortar attack on Downing Street 11 months ago – traffic controls have been introduced, video cameras have been installed in government buildings and windows and doors have been reinforced against bomb attacks.

These measures have come against a background of repeated police appeals for increased public vigilance and a continuing undercover security operation.

Such efforts may have reduced the risk of political assassinations and large-scale injury to civilians, but they did not stop an IRA terrorist cell yesterday identifying significant security gaps:

- The bomb was found only because of a warning by the IRA which named the small street where it had been planted.
- Mr John Major, the prime minister, left nearby Downing Street after the warning had been received but before the bomb had been located.
- The bomb exploded before the surrounding area had been fully cleared or the device tackled by bomb disposal experts.

Anti-terrorist squad chiefs believe the IRA mainland campaign involves no more than six terrorists, probably travelling to and from Northern Ireland or the Irish Republic. But these assessments have not been translated into any public breakthrough in terms of arrests. Home Office figures show that 85 individuals were detained on the mainland in connection with terrorism related to Northern Ireland in the first nine months of last year, but only one was charged under the Prevention of Terrorism Act.

On the mainland police are too stretched in numbers and cash terms to attempt blanket protection over a far more densely populated area than Northern Ireland, according to security experts.

Even if the resources were available, both the government and opposition believe that Northern Ireland-type security measures, involving the police and the military, would be politically unacceptable.

- A meeting yesterday between Mr Peter Brooke, Northern Ireland secretary, and leaders of the nationalist Social Democratic and Labour party appears to have made further progress towards re-starting "round-table" talks on the province's political future, **Ralph Atkins** writes. Yesterday's meeting was staged by using a video conferencing link, with Mr Brooke in London and SDLP leaders in Belfast.

House prices fall 3.5% says Halifax

By Andrew Baxter

HOUSE PRICES fell 3.5 per cent last year and the market continues to display few signs of recovery, Halifax Building Society reported yesterday.

A 1.3 per cent fall in prices in December, which is traditionally a quiet month for the housing market, helped produce the first annual decline since the Halifax House Price Index began in 1983.

The December fall was 0.8 per cent on a seasonally adjusted basis and followed a revised fall of 0.4 per cent in November.

The figures come a day after the announcement of a small rise in November housing starts, which was seen by the government as evidence that recovery in the housing market is beginning.

House price rises tend to lag changes in housing starts by as much as a year. Halifax, Britain's biggest building society, said confidence would improve as signs of more general economic recovery became more obvious, leading to increased housing market activity.

This trend would be more apparent in the second half of this year and would have little impact on house prices until next year. As a result, although house prices should show some growth this year the increases would be marginal.

A regional breakdown shows that prices fell slightly throughout the country in the fourth quarter of last year except in the far north of England and in Northern Ireland.

The sharpest regional decline in October to December last year was in the south-east. Prices fell 2.4 per cent, bringing the annual fall to 7.5 per cent. This was the region's steepest annual rate of decline since the summer quarter of 1990.

Throughout the south of England house prices have slipped by about 2 per cent in each of the past two quarters. Halifax said it was difficult to see this pattern being reversed before there was evidence of increased demand for homes.

On a brighter note, the quarterly falls of more than 5 per cent that affected the south in 1989 have ended.

Halifax said the temporary abolition of stamp duty on purchases of houses costing less than £250,000 should help the market. Transactions already being negotiated had been helped along.

TSB faces day of action from Bifu

BIFU, the banking union, yesterday announced it was calling for a national day of action in all branches of TSB, **Lisa Wood** writes.

The action, on an undisclosed date, will be the first in a series of strikes being held in protest at compulsory redundancies and a revised staff structure.

Bifu members at TSB – the majority of the staff – voted 4,895 in favour and 2,100 against from a total membership of nearly 20,000.

IPC launches new magazine

IPC Magazines, the Reed International subsidiary, yesterday announced it is launching a weekly magazine for women on January 20.

The magazine, Puzzle Weekly, with a planned print run of 400,000 is IPC's seventh weekly publication for women and joins titles such as Me, Chat, Woman and Woman's Own.

The magazine will combine articles on traditional subjects such as cookery, heath and travel with a wide variety of puzzles.

Tendering adviser appointed

SIR Peter Levene has been appointed part-time adviser to the government on extending contracting-out of public services. He will also be a member of the Citizen's Charter panel of advisers.

He is deputy chairman and managing director of the investment bankers Wasserstein Perella & Co Ltd. He was chief of defence procurement at the Ministry of Defence from 1985 to 1991, and managing director of United Scientific Holdings from 1969 to 1985.

Steel production falls by 7.6%

UK STEEL output fell 7.6 per cent last year from 17.84m tonnes to 16.48m, according to British Steel and the British Independent Steel Producers' Association.

The decline underlines the severity of the recession in the industry and left 1991 output down 13 per cent from the 18.95m tonnes produced in 1988. That was the best year for production since 1979.

Options market reassured on merger

By Tracy Corrigan

MR Geoffrey Chamberlain, chairman of the London Traded Options Market, yesterday reassured traders on the LTOM trading floor that the planned merger with the London International Financial Futures Exchange is to go ahead. This in spite of the recent difficulties in finding sufficient firms to make markets in individual stock options.

The merger, originally set for later this month, was postponed because of a lack of market makers and technical problems.

Mr Chamberlain said the revised date for the legal merger is March 20, and he confirmed that the provisional issue of "D" shares (which will entitle holders to trade stock options on the new exchange) will go ahead on January 14.

Friday was the deadline for firms to confirm to Liffe which stock options they plan to make markets in. Liffe declined to comment on the response.

The large integrated houses, such as Barclays de Zoete Wedd and Smith New Court, have proved unwilling to act as marketmakers, as expected, but will act as principal traders.

However, there has been some increase in the number of LTOM firms willing to commit to marketmaking. In addition to the four firms that have consistently underlined their commitment – City of London Options, O'Connor Securities (owned by Swiss Bank Corporation), James Capel, and Hills Independent Traders, two more firms came forward yesterday.

Kleinwort Benson has agreed to continue to make markets in about 12 stock options, while an independent trading firm, JG Bolitho, is also believed to have committed itself to some stock option trading. However, provisos have been made by some of the firms.

In addition, some Liffe members may commit themselves to equity option marketmaking after the merger.

Hopes of growth continue to wane

By Peter Norman, Economics Correspondent

ECONOMISTS' expectations of UK growth this year are on the slide.

The latest survey of UK forecasts by Consensus Economics, a company that monitors economic forecasts in 30 countries, shows that growth in Britain is expected to be only 1.4 per cent this year.

As recently as New Year's Eve the Financial Times's survey of 23 forecasters produced a consensus forecast of 1.7 per cent growth for UK gross domestic product this year.

Consensus Economics' survey of 34 forecasting bodies was carried out on January 6. Its average forecast of 1.4 per cent compares with the company's previous consensus forecast in December of 1.7 per cent growth and the Treasury's Autumn Statement forecast of 2.3 per cent GDP growth this year.

The survey reflects growing pessimism about the UK economy among leading economists since the start of the year.

Warburg Securities, for example, cut its projection for 1992 GDP growth sharply this week to 0.8 per cent from 2 per cent previously, adding that it expected growth of only 0.4 per cent in non-oil GDP.

Consensus Economics said the lower growth expectations reflected weak consumer confidence and demand, continued problems in the housing sector, softer export market growth and last month's tightening of monetary policy by the German Bundesbank, which has frustrated hopes of lower British interest rates.

The Consensus survey also came after Mr Norman Lamont, the chancellor, admitted that the government's Autumn Statement forecast was "somewhat over-optimistic". Yesterday Mr Lamont began a two-day meeting to discuss the economy and the March Budget with Treasury ministers and officials.

The survey indicated that economists expected some recovery this year and a quickening of GDP growth to about 2.4 per cent in 1993.

Hurd rejects pound realignment in ERM

By Ivor Owen, Parliamentary Correspondent

THE GOVERNMENT'S determination to maintain sterling's position in the European exchange rate mechanism at a central rate of DM2.95 was underlined by Mr Douglas Hurd, the foreign secretary, yesterday.

He dismissed as "wrong" suggestions that a realignment of the ERM – "the current euphemism for devaluation" – would stimulate the UK economy.

Mr Hurd told the Walsall Chamber of Commerce: "Almost certainly a devaluation against the D-Mark would not enable interest rates to be cut." Warning that "flap and fluster" would convince no one, he said even one devaluation would jeopardise the hard-won confidence which had been built in the markets.

Already, he said, short-term interest rates in the UK were only about one point higher than those of Germany and France, well below the differential of more than six percentage points experienced in recent times.

Mr Hurd stressed: "No matter how modest the devaluation, holders of sterling would probably demand a higher differential to hedge against the risk of a further devaluation."

He dismissed as neither prudent nor sensible the arguments of those calling for a reversal of the decision to enter the ERM and their claim that even if it resulted in a plunge for sterling the ability to follow the example of the US by cutting short-term interest rates would make it worthwhile.

Mr Hurd insisted: "Our commitment to the ERM provides a firm foundation for sustainable, non-inflationary growth. It has already shown significant benefits. It would be deeply foolish to stray off this path into the marsh of an economic policy which relied on successive devaluations."

Ruling out this "defeatist option" he said: "We will hold fast to our course. It provides certainty and confidence for business and will benefit Britain."

Labour tax plan for Scotland

By Ivor Owen

A SCOTTISH parliament established by a Labour government would have the power to require taxpayers in Scotland to pay more than the basic rate of income tax set by the Commons, Mr John Smith, shadow chancellor, confirmed yesterday.

He said legislation conferring revenue-raising powers on the new body would permit it to vary the basic rate up or down "by a small amount".

Mr Smith reaffirmed in a speech in Glasgow that the Scottish parliament would receive all revenue from income tax and value added tax paid in Scotland.

He said Labour's proposals would create a sensible, stable and flexible system of public finance for a Scottish parliament while maintaining the coherence of UK economic policy.

Mr Smith challenged the Conservative party to make clear whether, in the event of a Scottish parliament being established, it would seek to change the basis for allocating funds from the exchequer so as to reduce the sums available to Scotland.

He said: "As shadow chancellor I want to make it clear that the next Labour government will continue to pool resources and to distribute public expenditure according to need."

Gummer attacks retailers over food imports

By Guy de Jonquières, Consumer Industries Editor

MR JOHN GUMMER, the agriculture minister, yesterday accused British retailers of acting against their own interests by buying imported French poultry at what he claimed were artificially low prices.

Mr Gummer was speaking to a meeting at which 100 representatives of leading supermarkets, food manufacturers and farmers agreed to work more closely to increase supplies of British-produced food.

The initiative, the first of its kind to attract support from all three sections of the food industry, is intended to reduce Britain's trade deficit on food and drink, which was £5.1bn last year, about 80 per cent of the total current account deficit.

The deficit has attracted growing political concern. Mr John Major, the prime minster, met industry leaders to discuss the issue last month and it is being investigated by the Commons' agriculture committee.

A central aim of the plans announced yesterday is closer collaboration between farmers and supermarket chains.

Mr Gummer said their relationship had been "poisoned" by the widespread belief that retailers were too ready to buy poultry from French suppliers who sold below cost.

British supermarkets have sharply increased such purchases since the UK poultry industry was hit by a salmonella scare two years ago. Mr Gummer said there was no sense in switching sourcing, because low French prices would disappear if leading UK poultry breeders were driven out of business.

Yesterday's meeting, organised by the Safeway supermarket chain, agreed to set up a council of senior food industry representatives charged with identifying concrete measures to stimulate the supply of UK-produced foods.

Future activities are expected to focus on bacon and ham, dairy products, soft fruit and vegetables.

The council will be chaired by Sir Alistair Grant, the chairman of Safeway. Other members include the chairmen or managing directors of J. Sainsbury, Tesco, Northern Foods and Rank Hovis McDougall, and Mr David Naish, president of the National Farmers' Union.

UK NEWS

Forth Ports seeks share flotation

By James Buxton, Scottish Correspondent

FORTH PORTS Authority, which handles most port operations on the Firth of Forth in eastern Scotland, is to seek a flotation on the Stock Exchange.

It is the only trust port so far to choose this route for changing its status under new ports legislation.

Forth Ports Authority yesterday received consent in principle from the Department of Transport to privatise by way of flotation and Stock Exchange listing. It hopes to achieve the flotation by the spring.

Forth Ports is the largest port operator in Scotland and is one of the more profitable of the 14 main ports which have been faced with compulsory privatisation under the Ports Act of last year. In the year to December 1990 it made pre-tax profit of £8.9m on turnover of £31.2m. It says it had a good year in 1991.

The authority operates Leith and Grangemouth on the south side of the Firth of Forth and Methil, Kirkcaldy and Burntisland in Fife. Cargoes include chemicals, petroleum products, steel, timber and cement.

Mr Hugh Thompson, the managing director, said Forth Ports set its sights on a flotation summer, before the doubts about trade sales of ports emerged with the recent controversy about the sale of Tees & Hartlepool Port Authority.

Unsuccessful bidders for Tees & Hartlepool are challenging the government's decision to favour Humberside Holdings as the purchaser of the north-east England port.

Mr Thompson said the entire equity in Forth Ports would be sold, with shares possibly being reserved for management and employees. He expected institutions and some members of the public to buy shares. He said he was not worried about the possibility of the port being taken over by another company.

Forth Ports has retained British Linen Bank, the merchant banking subsidiary of Bank of Scotland, as its adviser on the flotation. Under the Ports Act half the proceeds of the sale should go to the government.

Forth Ports has property holdings in Leith, which is the port for Edinburgh, and elsewhere.

In 1987 it created a subsidiary called Edinburgh Maritime which proposed a very large property development which would have involved filling in redundant docks and reclaiming a large acreage from the Firth of Forth.

Mr Thompson said that project, which attracted local opposition and did not find favour with the local authorities, had been put on the back burner. The authority had planning permission for developments on two sites in Leith and was awaiting an upturn in the property market.

"We are talking to possible clients and end-users," Mr Thompson said. Other property schemes were under consideration.

Stance on sex pests studied

By Catherine Milton, Labour Staff

EMPLOYEES who suffer sexual harassment are more likely to switch jobs than are their harassers, according to the first survey of British management attitudes to the issue.

The most common punishment for harassers was found to be an official or unofficial warning. The next most common outcome was no action.

Researchers from the University of Manchester Institute of Science and Technology found that a majority of 110 personnel directors at leading companies favoured preventive measures. Only 30.2 per cent wanted stronger laws.

Nearly 90 per cent of employers had not issued a policy statement on the sexual harassment.

The survey's authors said victims were unlikely to report incidents unless they were sure complaints would be dealt with seriously and sympathetically.

The researchers relate employers' apathy to the difficulty in defining sexual harassment. The European Commission is considering a definition, and the researchers believe this would be helpful.

A US survey found that more than three-quarters of personnel managers who responded said they had a formal written sexual harassment policy.

Policies, practices and attitudes towards sexual harassment in UK organisations. Manchester School of Management, Umist. 061-236 3311.

SIB plan on sales challenged

By Norma Cohen, Investments Correspondent

COMMISSION payments to financial services sales agents should be replaced by fees paid by consumers, the Law Society said yesterday.

In a submission to the Securities and Investments Board, the main investment regulator, the society said: "The investment intermediary with the strength of character to ignore the fact that one investment will pay more commission than another is bound to be rare.

The society said: "A producer can compensate for a poor investment record, and get products sold against those with a better performance, by paying more commission."

The submission is a response to SIB proposals to modify the sale of retail financial services and to the polarisation rule, which requires sales agents either to sell the products of a single provider or to sell independently the best products of a group of providers.

Members of the society who sell financial products must pass on any commission to their clients. It admitted that the SIB was unlikely to go so far as to ban commission payments.

However, it urged the regulator to adopt proposals to make it more clear to potential customers whether the sales agent was working for a single company or could provide independent advice.

It also opposed proposals to bring solicitors into the net of a single self-regulatory organisation for retail financial services.

Premium phone-service abusers to face cut-off

By Hugo Dixon

A CRACK-DOWN on abuses of premium-rate telephone services, which customers pay 48p a minute to use, was announced yesterday by the watchdog responsible for the industry.

The Independent Committee for the Supervision of Standards of Telephone Information Services unveiled a code of practice which Mr Louis Blom-Cooper, its chairman, described as the most comprehensive the watchdog had produced. Premium-rate services include the heavily-advertised 0898 numbers.

A new code was necessary because the industry was constantly developing new services, Mr Blom-Cooper said. Last year the watchdog dealt with 6,500 cases of suspected or actual abuse.

The code, which comes into effect on February 1, deals with specific types of abuse – some of which are described in the panel – as well as general principles. It is tougher than the previous code drawn up in 1989.

Mr Blom-Cooper said the watchdog had tried to find a balance between taking too lenient a line on abuses and protecting consumers excessively.

The code contains stronger penalties for those who break it. The watchdog will be able to recommend that an offending company should be barred from providing a particular category of service or that its premium rate lines should be cut off for a defined period.

Penalties will be particularly severe for companies which persistently break the rules.

Companies which are found to have broken the rules will have to pay costs incurred by the watchdog in investigating the abuse. In a small number of cases these could run into thousands of pounds.

The watchdog's authority stems from the telecommunications licences of BT, Mercury Communications and Vodafone. It is able to recommend to these network operators that service providers breaking the code are cut off. Mr Blom-Cooper said the watchdog had received "total co-operation."

He said most of the premium-rate services, of which there are about 15,000, provide the public with useful information and entertainment.

The Association of Telephone Information and Entertainment Providers, which represents the industry, said it hoped the new code would not be constantly changed.

BOGUS JOBS

An advertisement says £12,000 can be earned repackaging batteries. A jobless person pays £6 on a call only to discover the job does not exist or is not what it seems. Under the new rules adverts will have to state the full cost of the call and advertisers will have to be able to prove the jobs are real.

COMPETITIONS

An advertisement promises a holiday to winners of a telephone quiz. The quiz lasts half an hour, costs £15, and contestants do not automatically win, even if they answer all questions correctly. Adverts will now have to explain how the games work and how much they cost.

FANTASY GAMES

Callers are drawn into a tantalising game looking for dragons. When they receive their phone bills they find they have been charged £10 for each time they played. Now, interactive entertainment calls will be limited to 10 minutes unless callers are told how much they have spent every five minutes.

TEENAGE LINES

A boy spends £6 listening to a recording giving advice on how to get a girlfriend and the best ways of kissing. Services aimed at young people will now be restricted to a maximum of seven and a half minutes, with a maximum charge of £3.60, after which they will be cut off.

SEXY DATES

A woman's name and phone number are given to a "wife-swapping" line as a hoax. She is pestered by people wanting dates. Now, people calling date lines will hear a reference number, not phone numbers. To get the phone number they will have to speak to an operator who will sift out cranks.

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Campaigning in earnest

THE BEGINNING of 1992 has seen electioneering shift into a higher gear. Implausible Conservative party assertions about Labour's hidden agenda for taxation have clashed with equally unconvincing Labour recipes for economic recovery. Politics as usual, is the electorate's weary response. But politics are not as usual. This huffing and puffing conceals an extraordinary degree of consensus, at least among the front benches of the main parties. The main conflicts are within parties. So much, it would appear, for the constitutional role of general elections.

The front benches share a commitment to British membership of the exchange rate mechanism of the EMS. They share at least a rhetorical acceptance of the market economy. Even over wage bargaining, no serious debate is joined. Both parties are reconciled to high unemployment as the remedy for the pay disease.

The commitment to the ERM is the fundamental constraint. With sterling below its effective floor yesterday, the government has been brought still closer to politically disastrous interest rate increases. Mr Lamont's agony is Mr Smith's delight. The shared commitment to the ERM allows Mr Smith to welcome membership and deplore its consequences in one happy sound bite.

So what issues are the chancellor and his shadow left to fight over? From this week's debate, programmes for recovery, the level of public spending and the structure of taxation will figure large among them. It is here that Mr Lamont, meeting with his cohorts in Chevening this weekend, will have to dream up the election-winning strategy.

They will find it hard. As Mr Lamont has admitted, the Treasury's forecast of 2.3 per cent growth between 1991 and 1992 was pie in the sky. The FT's survey of new year forecasts showed growth of 1.7 per cent, but the consensus is now down to growth of 1.4 per cent. This does not appear an election-winning performance.

Selective incentives

For its part, the Labour party offers some nicely wrapped baubles: a cash- and time-limited fund for investment in small and medium-sized manufacturing companies; enhanced first-year capital allowances for investment in manufacturing and improvements in skills training. But the selective incentives are doubtful in principle and will have little short term impact. Since a Labour party victory might lead to a sterling crisis, the immediate prospect could well be higher rates of interest and a more feeble recovery.

In some remarkably dishonest electioneering, the Labour party has made much of the rise in the share of taxes and social security contributions, from 34¼ to 37¾ per cent of GDP, between 1978-79 and 1990-91. Since this occurred in spite of a decline in the share of government spending, from 44 to 40¼ per cent of GDP, the explanation lies in the huge fiscal deficit bequeathed by the last Labour government.

Biggest deficit

So when the Conservative party argues that the Labour Party has a long wish list for increased public spending, it is absolutely right. But when it says the Labour Party will increase the basic rate of taxation by 10p, it is talking through its hat. The Labour party will not increase spending as it might like and will, in practice, try to run the biggest deficit it can get away with.

How big a deficit that might be is anyone's guess. But it could be bigger than the 3 per cent of GDP in 1992-93 already indicated by the Treasury in the Autumn Statement (and itself likely to be exceeded). Given the ERM constraint on monetary policy, a greater fiscal boost than that tacitly attempted by Mr Lamont could even be justified. But the UK's external position and past Labour party behaviour would also make such a boost risky.

On the structure of taxation, the Conservatives remain dedicated to lowering the basic rate of tax, even though that tax is hardly a disincentive at current rates and accounts for barely more than a quarter of total government receipts. This is a shibboleth, not a policy.

Meanwhile, Labour rightly proposes to eliminate the anomalies created by the interaction of national insurance contributions with income tax. But in the process, it will raise taxation for everyone over the national insurance ceiling of £20,280, as well as increase the top rate of tax to an undesirably high level of 59 per cent.

Overall macroeconomic policy may be dictated by forces over which UK politicians have negligible control. But levels of spending and taxation, as well as the structure of taxation itself, remain open to debate. Here is where chancellors and their shadows still have jobs to do. Unfortunately, as Mr Smith observed in the FT this week, serious debate is ruined by two peculiar customs: the presentation of two half-budgets a year, and the Treasury's mania for secrecy. If the election campaign forces the two sides to come a bit cleaner, it will have served at least one valuable function.

Francis Ghilès on the uncertainty surrounding Algeria's elections

A sense of shock

As Algeria's first multi-party elections enter a crucial stage this week, an exercise promoted as a means of rebuilding trust between 25m people and their rulers has turned sour. Its effects may be felt as far afield as Morocco, Tunisia and across the shores of the Mediterranean.

In a capital city where reality and fiction are often hard to disentangle, no one doubts that Moslem fundamentalist candidates wearing the colours of the Islamic Salvation Front (FIS) could well gain two-thirds of the seats in the future national assembly. Nothing else is certain.

Not since the Front de Libération National (FLN) came to power in 1962 after the war of independence have Algerians had such a great sense of history in the making. But whereas in 1962 the mood on the streets was one of unity and hope, today it is approaching despair.

So far, the election results have provoked little response from the governing FLN, and stunned silence from President Chadli Bendjedid, whose party has been consumed by damaging in-fighting, corruption and a lack of any clear political and social reforms. Despite economic liberalisation measures the country has been paralysed by the FLN's incapacity to reform a heavily centralised economy in the wake of 1986's collapse of oil prices.

In contrast to the government, the FIS is conducting a confident campaign, in which it has harnessed the resentment of many Algerians about their declining living standards and the corruption of the ruling party. In the first round of voting on December 26, the FIS polled 47 per cent of the popular vote, twice as much as the FLN.

This stunning figure underlines the extent of the FLN's disarray and its incapacity, since the riots of October 1988 broke its monopoly of power in the streets, to reform itself. For ordinary Algerians the only visible consequences of moves to open up a command economy have been rocketing prices, growing unemployment and a ruling party whose leaders have indulged in public mud-slinging. The FLN and other lay opposition parties have proved no match for the formidable powers of mobilisation displayed by the FIS.

Several factors will be at work over the next five days: the shock felt by the middle classes, which carries the risk of reaction particularly if the FIS forms the next government and implements a fundamentalist programme; the likelihood that the constitutional courts will cancel elections in more than 50 seats; the question of how the army will react as it struggles to defend both the Algerian constitution and the will of the people.

The sense of shock is not confined to the elite. A programme of education and redistribution of some oil wealth have brought benefits to many Algerians, be they the professional middle classes or workers in industry and the civil service. For many of them, their faith is a private matter and they view the imposition of strict Islamic rule with alarm. They are also concerned at the manner in which voting has been conducted.

Allegations of vote-rigging are widespread. More than 900,000 electoral cards went missing and 1m ballot papers were invalid because – in a country where 40 per cent are illiterate – the forms were too complicated for many to complete. The government had also drafted constituency boundaries in such a way that 3.2m votes gave the FIS 188 seats, while 1.6m votes gave the FLN a mere 15 in the first round. This appears to have been the result, as much as anything else, of a profound ignorance on the part of Prime Minister Sid Ahmed Ghozali and his minister of the interior, Mr Larbi Belkheir, of political and social realities. While the FLN's 30-year monopoly of power has not left it immune to allegations of similar practices, this time it made a fatal miscalculation. This helps to explain the 42 per cent abstention rate and thus the view of many educated, middle-class Algerians that the first round of voting did not faithfully represent the views of the country.

The electoral process could be thrown further into confusion, forcing the government into some kind of third round, if the constitutional courts decide to cancel voting in more than 50 seats. The first two rounds would then have to be held again within the next three months.

Algerians in France demonstrate for the Socialist Forces Front (FFS) which opposes the Islamic Salvation Front (FIS) – Algeria's main fundamentalist movement

All this has contributed to the electoral weakness of those who oppose the idea of a theocratic state. The main bulwark of resistance to the FIS is the FLN. However, the Front des Forces Socialistes (FFS), which draws its support from the Berber heartland of Kabylia and certain areas in and around Algiers, could prove pivotal. They are the spearhead for a group of civil servants and professional technocrats who could choose to resist the implementation of FIS policies by paralysing the state. About 300,000 FFS supporters and other lay members of the opposition marched through Algiers a week ago, and they are active on Committees for the Safeguard of Algeria which have sprung around the country.

The opposition groups, which exist in their scores, draw support from professional bodies of engineers, doctors and lawyers. They also come from the industrial working class, trades unions, private industry and women's groups. The events of the past two weeks have convinced the opposition that they might be forced to fight to preserve what they perceive as the achievements of the past 30 years – hospitals, factories, roads, schools and universities. They do not want the clock turned back.

The model for their fears is Iran, where a revolution overwhelmed the middle classes and destroyed the army in 1979. But unlike Iran, the FIS victory so far has come through the ballot box, and those who oppose their views are themselves either former revolutionaries or the sons and daughters of people who fought against France in the war of independence. They cannot match the message offered by 8,000 of the country's 10,000 mosques which the FIS controls.

That message is one that gives hope to the disenfranchised, who feel left behind by modernisation. The FIS argues that the restoration of Shari'a law (segregation in schools, not allowing most women to work, banning alcohol and harsh punishment for thieves and other criminals) is the answer to Algeria's problems. Restoring a strict sense of morality to public and private life is a pre-condition for economic development, the FIS says.

One great unknown about the FIS is whether the views of its "moderate" or its "hard" wing will prevail if it takes the reins of government. The party's leaders make no secret of their attitudes. "I respect neither the laws nor the parties which are not based on the Koran. I trample on them. Such parties must leave the country, they must be repressed," said Mr Ali Benhadj, one of the party's paramount leaders who has been in prison since last June. "Our fight opposes Islamic purity and democratic impurity," said Mr Abdelkader Hachani, the provisional spokesman for the party.

Occasionally, a more pragmatic statement emerges, but the basic tenor of remarks by FIS leaders is uncompromising. Since FIS members won a majority on town councils in the municipal elections of June 1990, some cultural centres have been closed and women teachers and university lecturers abused.

Will such behaviour characterise the FIS if it wins control of parliament, or will it choose a more cautious line of avoiding confrontation with the president, whose powers are considerable and who comes up for re-election next year? The FIS may well calculate it can win the presidency, the supreme political prize, if it avoids a fight with some sections of Algerian society.

Whether this strategy is possible depends to some extent on the actions of the army, under the defence minister General Khaled Nezzar. There have been persistent military deployments of tanks and soldiers in the past week and senior officers make no secret of their distaste for fundamentalism.

But where and when will that army choose to draw the red line? After today's verdict by the constitutional courts, on how many first-round ballots are annulled, it may call for the entire election to be called off. Or it may encourage the president to step down after the second round if it feels he is not defending the Algerian constitution. In the next few days, or weeks, the army might face an agonising choice. If clashes between Algerians who hold such antagonistic views of the country's future be degenerate into civil strife, it will have no choice but to act.

Last gasp for young fogeys

Ivo Dawnay tracks down a species near political extinction

These are dark days in the once sunlit world of the young fogeys. With the passing of the Thatcher era and the emergence of the consensual politics of Mr John Major, what is arguably Britain's most rarefied sociological sub-species has been riven by schisms and backbiting.

On Europe, on the Citizen's Charter, on the goal of a classless society, even on Mr Major himself, the once united front of militant fogeydom is as bitterly divided as a meeting of Trotskyite International.

It was not always so.

Identified in the mid-1980s as an eccentric faction of middle-class nostalgists, the young fogey phenomenon was at first dismissed as a purely aesthetic reaction to the vulgar materialism of the yuppies.

With their tweed jackets and laced-up brogues cocking a deliberate snook at Next suits, the fogeys took pride in being old before their time. Their loathing for television, their obsession with the book of common prayer and their disdain for icons of modernity such as the Sony Walkman, evoked a Toff Liberation Front steeped in the traditions of the 1950s English public school.

Ancestor worship was a key element in the mythology. As A N Wilson, the novelist and critic often cited as the quintessential young fogey, put it recently: "The main quality of the fogeys was that they didn't rebel against their parents' views – they imitated them."

If *fogeyus snobus maximus* was a ludicrous figure, *fogeyus politicus* was someone to be reckoned with. Mr Charles Moore, one-time editor of the Spectator, and Mr Frank Johnson of the Sunday Telegraph – still a member of the species in his mid-40s – were frequent informal visitors to Downing Street, where other fogeyish figures such as Mr John Whittingdale, the former PM's political adviser, and Mr Robin Harris, her speech writer, would provide the tea and scones.

A little more than 12 months ago, the unknown Mr Patrick Robertson, at 21 the youngest of all fogeys, proved that his Bruges group could influence thinking in a way that, with serious consequences, Sir Geoffrey Howe could not. In the think tanks, pinstriped fogeys such as Mr Graham Mather, politically independent director of the Institute of Economic Affairs, and Mr David Willets, head of the Centre for Policy Studies, provided a well stocked "supermarket of ideas" for their mistress's delectation.

Arguably, what most appealed to Mrs Thatcher was the fact that her new public school-educated cadres dismissed the old *noblesse oblige* traditions of patrician Tory figures such as Lord Pym or Sir Ian Gilmour. Instead, they believed, like her, that government should merely do its best to create the opportunities for individuals to pull themselves up by their own boot straps.

So what has changed? The answer is almost everything.

Out, as Mrs Thatcher would put it, has gone the firm stand against the encroachment of the European Community. Out, too, have gone the doctrines of rugged individualism and self-help meritocracy. And out have gone the fogeys.

In their place have come the notion of "society", deemed not to exist under the *ancien régime*, the aspiration to classlessness and the all but crypto-communist vision of Mr Chris Patten, Tory chairman, arch-liberal and advocate of a "country at peace with itself".

Even before he took office, Mr Major was reported to have been splenetic with Mr Moore over what he alleged to be a "patronising" interview style. Soon after, Mr Harris and Mr Whittingdale retreated to their fallen leader's bunker.

In the wake of a public row over unsolicited advice on Europe, Mr Robertson has now resigned as secretary of the Bruges group to take up a post with the World Economic Forum in Geneva. AN Wilson has declared that he has now lost his faith in God and will be voting Labour. And everywhere else the ragged forces of fogeydom have been beating retreats or taking last stands.

For some, the ebbing of the Thatcherite tide has forced tough choices between collaboration and resistance. In most of the think tanks, internecine warfare over Europe has ended with a victory for the pragmatists. Mr Mather, who always denied the fogey label, has gone even further, and now advocates a full-blown debate on constitutional reform.

"The fogeys were always full of romantic contradictions," he argues. "The energetic thinkers are not just going to slump in a bath chair and decry the falling standards of literacy."

Others, like Mr Simon Heffer, the Spectator's 30-going-on-60-year-old deputy editor, believe that all is not yet lost with Mr Major. "He cannot be entirely antipathetic to fogeyism, as he likes cricket," he observes.

For some, however, Mr Major's arrival has proved a political Dunkirk. Mr Johnson – ranting recently about "the worst display yet" of Mr Major's concern for others – has chosen the course of outright confrontation. He argues that the true faithful must hope that the Tories are cast into opposition at the next election, and then use the time to regroup under a younger generation of Thatcherites.

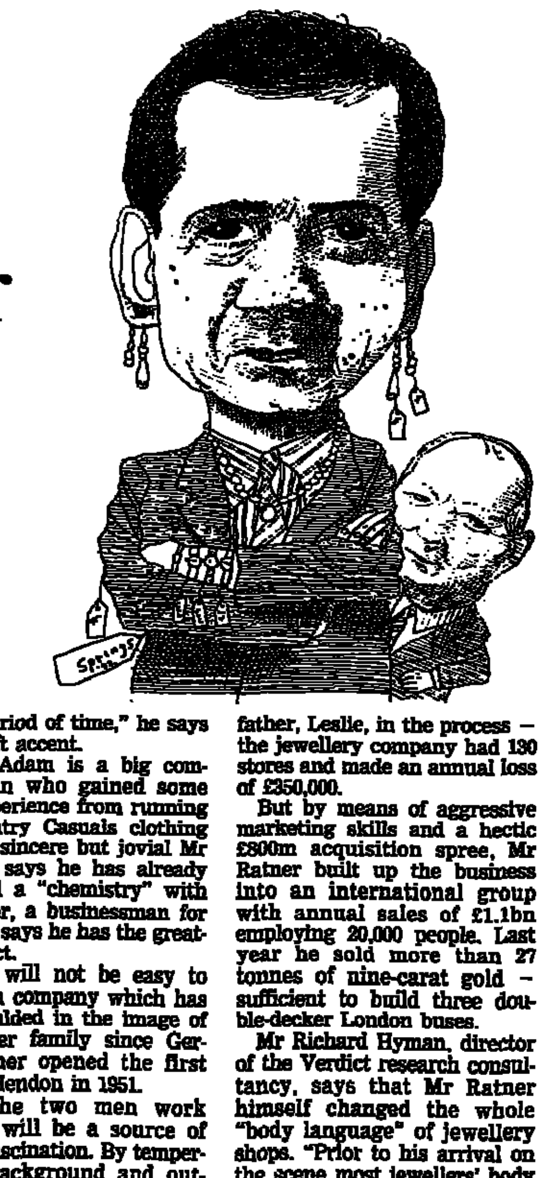
The tattered tweed banner of fogeydom will fly again, he promises, but, for now, Britain is no longer a country fit for our parents and grandparents to live in. Teatime at Number 10 is indefinitely postponed.

MEN IN THE NEWS

Gerald Ratner and Jim McAdam

Jewellery innovator and the textile veteran

By John Thornhill



You can never be quite sure with Gerald. Whether it is the occasional glint in his dark eyes that betrays him or the faintest traces of a smile that persistently play around the corners of his mouth, you never know whether the chairman of the ailing Ratners jewellery group is making a serious point or gently skewering you with his irony.

But Mr Ratner's humour deserted him yesterday as he announced that his company had experienced a disastrous Christmas trading period and that he would be stepping down as chairman.

Although he remains as chief executive of the company that he built up from a loss-making family firm into the biggest jewellery company in the world, he will now share executive responsibilities with the 61-year-old Mr Jim McAdam, the former deputy chairman of Coats Viyella.

These developments have come as a severe blow to a man who, until last year, had tasted nothing but glittering success in his business career. And the normally effusive Mr Ratner was in subdued mood yesterday. It clearly hurt.

Perched on the corner of his desk with his striped shirt hanging out, a weary Mr Ratner, 41, mouthed all the proper words expected of him. After finishing a listless telephone conversation with his cousin and fellow director, Victor, about how to explain the news to his staff, Mr Ratner turned and said: "I am very happy about the decision."

The unconvincing words hung in the air as he continued: "I shall continue to have responsibility for the running of the business on a day-to-day basis as any chief executive would do, but there will be a load of things that Jim will be able to deal with. It is more stable."

Stability, of course, is now the desired order of the day. After swallowing £45m of exceptional costs, Ratners is heading for a total loss of about £72m and the continuing support of the company's banks is clearly crucial.

Mr McAdam's immediate role will be keep the bankers sweet, and he has already begun to have an effect. His very appointment helped clear the way for the banks to issue an unusual statement of support for the company, but there will no doubt be tense weeks of talks ahead as the company tries to straighten out its tangled web of debts.

Mr McAdam will also be intimately concerned with helping to implement the company's rationalisation plan, which will involve stringent cost control measures including the possible closure of some of Ratners' branches.

A tough-speaking Scot, he says he is well-suited to such a role, having spent most of his career working in clothing companies in a highly competitive market. "I am battle-hardened from the textile industry in just this sort of exercise. We have been doing it for a hell of a long period of time," he says in his soft accent.

Mr McAdam is a big company man who gained some retail experience from running the Country Casuals clothing chain. A sincere but jovial Mr McAdam says he has already developed a "chemistry" with Mr Ratner, a businessman for whom he says he has the greatest respect.

But it will not be easy to work at a company which has been moulded in the image of the Ratner family since Gerald's father opened the first store in Hendon in 1951.

How the two men work together will be a source of endless fascination. By temperament, background and outlook they could hardly be more different.

Mr Ratner is very much the self-made man who spotted a market opportunity and seized it with a vengeance. When he became managing director of Ratners in 1984 – ousting his father, Leslie, in the process – the jewellery company had 130 stores and made an annual loss of £350,000.

But by means of aggressive marketing skills and a hectic £800m acquisition spree, Mr Ratner built up the business into an international group with annual sales of £1.1bn employing 20,000 people. Last year he sold more than 27 tonnes of nine-carat gold – sufficient to build three double-decker London buses.

Mr Richard Hyman, director of the Verdict research consultancy, says that Mr Ratner himself changed the whole "body language" of jewellery shops. "Prior to his arrival on the scene most jewellers' body language told people: 'Do not come in unless you really want to buy something. We are only interested in serious customers'. But Ratner made it accessible to the mass public."

The ruthless way he ate up the jewellery market could have served as a model textbook example of how to corner a market and exploit it for all its worth. But the way he financed his expansion could also serve as an example of what to avoid.

Mr Ratner had long been regarded as something of an *enfant terrible* in the City. Institutional investors had never known what to make of him. Initially impressed by his persuasive manner and streetwise marketing skills, the City tended to overlook the brasher sides of his impetuous nature. But by the late 1980s, shareholders had begun to tire of the seemingly ceaseless rights issues used to fund the company's dash for growth.

As recession struck, Mr Ratner was left friendless in the City and the company's share price collapsed.

Mr Ratner's plight was worsened by a now notorious speech he gave to the Institute of Directors last April in which he disparaged some of his company's products. He was badly rattled by the furore surrounding his remarks and has since retreated into a sullen shell. "I feel very sorry for my family and especially my cat," he said after presenting a disappointing set of interim results earlier this year.

In the same way that Mr Ratner lost faith with the City by making too many extravagant promises, he has seemingly also lost the confidence of his shoppers by offering them a series of ever-greater discounts. He will be hard pressed to woo customers back to his stores – a skill at which he was previously supreme.

Mr Ratner was yesterday left pondering his strange fate in the company's ornate office building in Mayfair, surrounded by the fantastic Zales silver collection and a host of glamorous secretaries.

But his huge office, dominated by a picture of one of Napoleon's generals, has recently been chopped in half to provide a meeting room for Mr McAdam. In more ways than one, it seems, the world has now closed in on Gerald Ratner.

Lloyd's reforms will not meet everyone's hopes, says **Richard Lapper**

Bell tolls for change

Expectations are running high that a task force set up by Lloyd's of London will recommend far-reaching changes to the insurance market in the wake of its first losses for more than 20 years.

"I hope to God that it isn't a damp squib," says one insider at the *Corporation of Lloyd's*, which provides the market's regulatory and back-up services. "Enormous attention is being focused on this."

On Wednesday, the task force is scheduled to publish the most comprehensive proposals for reform of the market's antiquated business structure in recent years. And while it may fall short of recommending a complete overhaul of Lloyd's, it should nevertheless call for radical reforms.

One task force member said this week that emphasis in the report is on market-driven change, adding: "You could see a completely different Lloyd's in the next 10 years."

The report has been prepared by a 14-man group – chaired by Mr David Rowland, the chief executive of Sedgwick, the insurance broker – composed of senior underwriters, brokers and executives at Lloyd's and advised by the management consultancy company, McKinsey.

The task force was set up last January by Mr David Coleridge, chairman of Lloyd's, as part of efforts to find ways to reduce costs, secure the market's future capital base and reverse the long-term decline of its share of specialised commercial insurance and reinsurance.

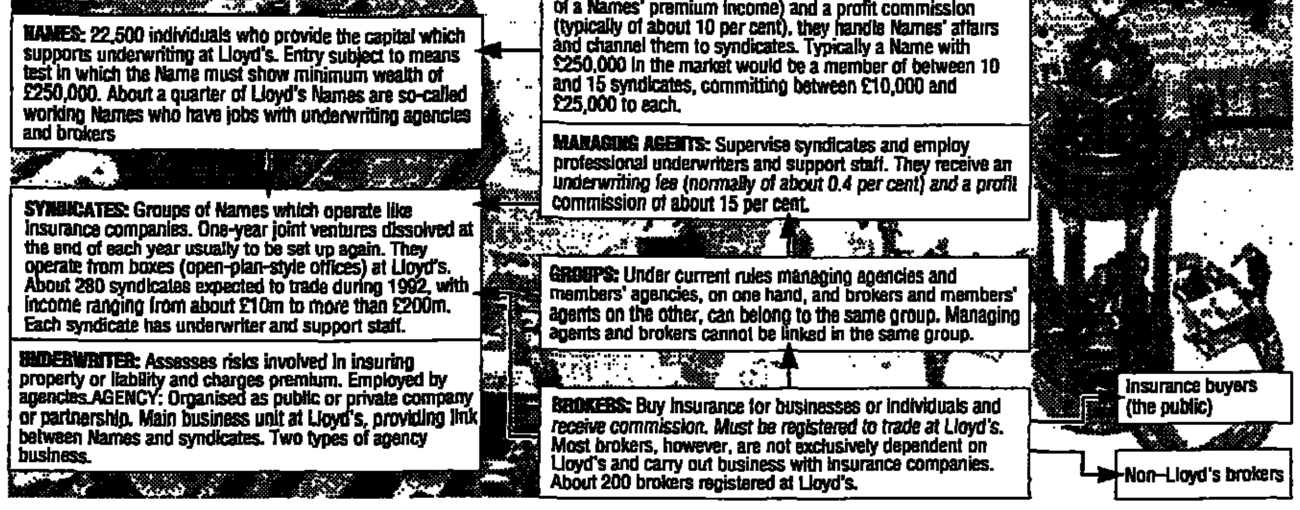
But Lloyd's immediate commercial difficulties and the acute problems of many of its Names – the individuals whose personal wealth provides the market's capital base – have given extra urgency to the task force's work and increased the political significance of what began as a relatively low-key exercise.

Last June the market *reported overall losses of* £510m. Reflecting the results of 1988, these losses resulted from a combination of catastrophes such as the explosion aboard Piper Alpha, the North Sea oil rig and rising US asbestosis and pollution claims.

The damage was concentrated among a sizeable minority of Names. As many as a third of paid out more than £50,000 each last year, according to a survey by Chatset, the independent research firm.

Two more years of losses are anticipated – Lloyd's expects its results for 1989 and 1990, which it will report over the next 18 months, to be worse than those for 1988. Last year, just over 4,000 Names resigned from Lloyd's, shaving more than £1bn from the market's capital base. Many of the 22,500 Names who remain in the market are making their membership conditional on the adoption of reforms by Lloyd's and a quick return to profitability.

Last November a poll conducted by Mori, the opinion research organisation, showed that as many as three in five Names might leave if Lloyd's is not firmly back in the black in 1992, when these results are reported in three years' time. Many Names are opposed to retaining the principle of unlimited liability, whereby they are bound to meet their insurance losses even at the cost of personal bankruptcy.



But the report's recommendations are likely to fall short of some Names' hopes. Those facing big losses from past years can expect only limited help. "You can't wish away past losses," said one broker close to the task force this week. "The cost of bailing out badly hit Names could be prohibitive." Any attempt to make a limit on liability apply retroactively (that is, to business already written) could also be fraught with practical and legal problems.

The task force also has relatively little room for manoeuvre to tackle the heritage of long-tail liabilities (in which claims sometimes arise many years after the original policy was written).

The report concentrates on three areas: the capital structure of Lloyd's; the market's costs, declining competitiveness and the low levels of professionalism of many underwriters; and the adequacy of the system of self-regulation introduced by the Lloyd's Act of 1982.

The thrust of any changes will be to make Lloyd's a more attractive investment for the individual Names who, it is acknowledged, will continue to provide the market's capital for the foreseeable future. "The primacy of Names' interests is absolutely vital," said the broker. "If Names aren't confident about supplying capital to the market we are not doing our job properly. The market has been running for itself not for its capital."

Among the recommendations could be:

● Maintaining the system of unlimited liability alongside the introduction of a cap limiting the scale of "excessive losses" for Names.

Particularly large losses for individual Names would be borne by the market as a whole and financed by a levy on all Names. The cap would have to be set relatively high to keep its cost down and allay fears that this system of "mutualisation", or shared losses, could damage the market's profitability as a whole.

● Demanding more favourable tax treatment from the government for the reserves established by Names to pay for future losses. In common with the UK insurance industry in general, Lloyd's does not have the same facility for establishing tax-deductible reserves as its competitors in a number of other European countries – a long-standing complaint.

● Finding ways of channelling Names' capital to the more profitable areas of the market, helping good agencies and syndicates to prosper and hastening the demise of the least successful and efficient.

One step would be make the accounts of Lloyd's syndicates more open by a move away from the present system of accounting – in which syndicates account for the results of a given year after a time lag of three years – towards a one-year accounting system.

Another could involve the development of a system whereby Names could buy and sell their participations on individual syndicates.

● Giving more freedom to syndicates and the agencies that manage them to generate more business themselves. At present their freedom to contract business without the involvement of a Lloyd's broker is sharply circumscribed. More broadly, Lloyd's ability to market itself is limited by the dual responsibility for both regulation and marketing of the Lloyd's Corporation. Changes in both areas would be relatively free from controversy and are likely.

● Examining ways of strengthening the role of members' agents so that they can "police" the market, thus playing a role similar to that of institutional investors in the stock market.

In this respect the task force has been encouraged by the stronger role played by members' agents in the latter half of 1991. In several cases, agents made the supply of Names to syndicates dependent on the introduction of changes to improve efficiency, such as a reduction of underwriters' salaries and the appointment of new managers. When these did not materialise, Names were directed elsewhere, starving the syndicates of capital and making their closure inevitable.

Two further developments appear to be moving in the task force's favour. First, rationalisation has been proceeding apace among agencies and syndicates, producing leaner and fitter businesses. Second, there are now clear signs that insurance rates – partially reflecting shrinkage in capacity – are beginning to rise in most areas of the market, improving prospects that business written in 1992 will be profitable.

The political climate also favours change. Lloyd's is under pressure to implement any firm recommendations by the task force. – a contrast to the late 1960s when many proposals of the Cromer Report, the fruit of one effort to change Lloyd's business practices, went unheeded.

Overall the reforms, backed up by some positive trends in the market, should help stimulate some recovery at Lloyd's. The problem is that this may not assuage the anger of many Names facing losses.

One disgruntled Name, who confronts hundreds of thousands of pounds of personal losses, laments: "Our main worry is that the whole focus is on the future and that they will not deal with the problems of the past. They may let the old Names sink."

Ticket to travel price war

Michael Skapinker analyses tour companies' manoeuvres

Discounting is to Britain's tour operators what sun and sangria are to their younger customers. When excess is followed by throbbing pain, everyone promises a life of eternal moderation – until the next binge.

All the large operators say they have nothing to gain from the sort of prolonged price war that led to the industry offering some foreign holidays for less than £100 in the late-1980s. Average profit margins sank to less than £1 a holiday for many companies, and customers complained about the declining quality of facilities.

This week, however, Thomson, the UK's largest operator, cut £15m off the cost of 300,000 summer holidays and warned rivals that, if they wanted a price war, they could have one. Mr Charles Newbold, Thomson's managing director, says: "I don't want to go back to those days of low margins, but people are trying to gain market share. That is a recipe for very aggressive price competition. I'm not going to lose any of our market share."

The collapse last year of Mr Harry Goodman's International Leisure Group (ILG) helped ensure that remaining operators enjoyed large increases in profits in 1991. Mr Newbold warns that this year might not be as buoyant: "People made record profits in 1991 because of Harry Goodman's magnanimous gesture in going out of business. I don't think people will make record profits in 1992."

The current price-cutting was sparked off by Airtours, the third largest operator, which last September published brochures offering keenly competitive prices for summer 1992. Owners Abroad, the second largest operator, responded with a range of price cuts and offers of free holidays for children.

Money that would have gone into new homes can be spent on holidays instead

The discounting is not an attempt to grab what remains of a recession-blighted market. The UK travel industry has proved resistant to the drop in consumer spending. The Association of British Travel Agents says demand for winter breaks is up 20 per cent over last year and summer bookings have increased by 8 per cent.

Some tour operators report an even better start to the January *and February booking season, during* which they expect to sell about 60 per cent of their summer holidays. Mr Howard Klein, chairman of Owners Abroad, says summer holiday bookings for the week ending January 4 were up 63 per cent over last year. Bookings were hit last year by the onset of the Gulf war, but Mr Klein says they were still proceeding normally in the first week of *January 1991*. Comparisons with 1990 are difficult, because of Owners Abroad's acquisition in March that year of tour operator Redwing from British Airways. Mr George Marcall, sales director of Airtours, says his company's bookings in the first week this month were 35 per cent up on the same month last year and 10 per cent on 1990.

The travel industry says the gloom pervading the rest of the economy seems to have persuaded people that it is worth investing what cash they have in a week or two in the sun. The collapse of the housing market means that money that would have gone into new homes, and the washing machines and dishwashers to go in them, can be spent on holidays instead.

The real reason for the current bout of discounting, Thomson's Mr Newbold says, is a battle between Owners Abroad and Airtours. Together with Thomson, they account for nearly two thirds of the UK package tour market. Mr Nigel Reed of Paribas Capital Markets estimates that Thomson had 35 per cent of the market last summer, while Owners Abroad had 15 per cent and *Airtours* 12 *per cent.*

"You've got an almighty battle between Owners Abroad and Airtours for second place," Mr Newbold says. "They're getting very aggressive on price and we have to make sure that we protect our part of the business."

Mr Klein insists that, while Owners Abroad welcomes any increase in market share, its primary objective is to maintain profit margins; it is Thomson that is over-sensitive about market share. "I remember meeting Charles Newbold four or five years ago and saying: 'When are you going to stop cutting this industry's throat?' And he said, and I'll never forget it: 'We won't *lose a point of market share*'."

Mr Klein and Mr Marcall say they do not believe that Thomson's discounts will lead to an all-out

It is more difficult for new tour operators to push prices down by undercutting the majors

price war. They take comfort from the fact that the reductions apply to only one in eight of Thomson's holidays.

Mr Klein argues that it has become more difficult for new tour operators to set up, and push prices down by undercutting the majors. After the collapse of ILG, the Civil Aviation Authority increased the financial guarantees it requires from new tour operators. Established travel companies have to provide a bond equivalent to 10 per cent of their revenue from package tourists reaching their destinations by air. This has been raised to 15 per cent *for new operators.*

The City is uncertain whether to believe Owners Abroad and Airtours' insistence that the travel industry is not on the verge of a further round of price slashing. Since Thomson announced its discounts on Tuesday, Airtours shares have fallen 51p to close at 823p last night. Owners Abroad shares have lost 11p to 96½p.

Mr Reed of Paribas says the travel companies always try to reassure the City that there is no price war in the offing. "On the other hand, they want to make out to the consumers that never before have prices been lower, they've got to buy now, there are never-to-be-repeated discounts on offer. It's very difficult for these guys."

LETTERS

Election day is for those who run the show

From Mr John V C Butcher.

Sir, Observer wonders ("Thursday puzzle", January 6) why every general election in the UK is held on a Thursday.

Surely the reason is that, should it result in a change of government, the new prime minister can go to Buckingham Palace to kiss hands on the Friday and select his/her senior ministers over the weekend, thus causing the least disruption to the mandarins who, after all, are the ones who really run the show.

Let us emulate the continentals and hold our elections on Sundays – so that school children won't lose a day's schooling.

The mandarins do not need to worry this year – for there isn't going to be a change of government.

John V C Butcher,
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Cobham,
Surrey KT11 2HP

'Mischievous' to suggest headhunter conflict

From Mr William L Gill.

Sir, Your article, "Money spent on headhunters is 'wasted'" (January 7), seems to be special pleading on behalf of the occupational psychologists. It also denigrates the work done by the many reputable executive search consultancies which provide a service that is much valued, I can assure you, by their clients.

Headhunters normally operate at the most senior levels where it is essential that track record is firmly established. This can be best done by interviews and market research conducted by experienced interviewers – which is the technical and judgmental skill which headhunters provide. I think that nearly all the very senior top managers would resent an occupational psychological test. They are headhunted on the basis of their reputations and their indisputable records.

Of course, as you go lower down the scale, psychological testing has its place and this is why all headhunters do use psychological tests for those whose records are less clearly established. You acknowledge that 40 per cent of headhunters employ psychological tests.

Surely a more balanced approach is to say that there are proper places for both the interview and market research techniques employed by skilled headhunters, as well as the support facility provided by professional occupational psychologists. This would certainly be our view.

I think it is mischievous of you to suggest that there is a conflict between the two techniques. They are mutually supporting.

William L Gill,
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London W1

Average returns and cash flows of pension funds

From Mr Andrew Bridgford.

As a pension fund investment consultant, I would like to take issue with three points in your article, "Strong showing for UK pension funds" (January 2), one of which is fairly minor but the other two of which might mislead the reader.

First, and perhaps I am being a trifle pedantic here, we do not yet know the average return for 1991 as no returns have yet been calculated for the final quarter: we can only make an *estimate* based on actual results to September 30 1991 and index projections for the last three months of the year.

Second, re the statement "returns on equities alone were a record 20 per cent", the returns on equities were by no means the best since 1976: UK equity returns were better in as many as *seven* of the past 15 years, in 1977, 1980, 1982, 1983, 1984, 1986 and 1989.

Finally, although managers may claim to prefer strong cash flows – who wouldn't with fees based on market values – smaller cash flows which restrict fund managers' investment flexibility may be a blessing in disguise.

For the past four years, those funds with negative cash flows have outperformed those with positive flows, by about half a per cent a year.

Andrew Bridgford,
consultant,
investment strategy,
Noble Lowndes,
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Wellesley Road
Croydon,
Surrey

Scotland: a fitter engineering industry and Ravenscraig as an asset in an independent nation

From Mr Howard Jordan.

Sir, I was delighted to read in Peter Norman's Economics Notebook (January 6) that Scotland was providing a ray of hope in the economic gloom pervading the rest of the UK.

My delight came not only from the information but also because someone else had confirmed what we at Scottish Engineering have been saying for some time. In the FT on December 17, your correspondent, James Buxton, reported the optimistic findings of our December Quarterly Review.

I have been saying for some time that the engineering industry in Scotland is better prepared for this latest recession having, as you explained, gone through a painful restructuring in the early and mid-1980s. Scottish companies went into this latest recession leaner and fitter than many of their English counterparts, and the benefits are now being felt.

Peter Norman's prediction that Scotland will sustain its improvement in confidence and continue to attract successful businesses is heartening and, hopefully, correct.

Howard Jordan,
chief executive,
Scottish Engineering,
105 West George Street,
Glasgow

From Mr Patrick Kane.

Sir, James Buxton characterises my thinking about Ravenscraig as "muddled and romantic" ("Tory prospects in tatters", January 9). There would be no muddle about the retention of Ravenscraig as a national asset if Scotland were an independent EC member state – a high-polling voter preference among Scots strangely absent from Mr Buxton's political assessment.

Your editorial of the same day ("Raven croaks at Motherwell") laments other European nations' "subventions" of their indigenous steel industries. Perhaps the Twelve's lack of "political will" to depoliticise competition policy reveals the enduring character of the Community as a confederation of national economic interests progressively pooled, rather than the abstract supranational free-market so desired by City Europhiles. It is this continuing influence of member states in European policy that a politics of Scottish independence recognises, and which underlies the Scottish National Party's argument for nationalisation of the steel industry as vital to national interest in manufacturing.

There is no "romance" either about the clear market opportunities for a Scottish steel industry in North Sea oil fabrication over the next "boom" decade – a market factor which would also not escape "politicisation" in the event of a territorially-constituted Scottish state sovereignty, willing to present oil and steel to the EC as essential Scottish interests.

Patrick Kane,
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Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

The link between constitutional reform and Britain's economic performance

From Mr Anthony Barnett.

Sir, I felt your leader on the honours systems ("An honourable case for change", December 30) was excellent – excellent, that is, with the exception of its concluding paragraph, which begins: "Constitutional reform is not going to add percentage points to the British growth rate."

Is Britain's business and financial community really so feeble-minded that it thinks there is no relation between the country's system of government and its economic performance?

Just take, for example, the honours system you justly scorn. To paraphrase it for the sake of those who missed it over the new year, your editorial argues three things:

First, that the absurd categories and mass of honours should be pruned drastically; second, as well as being comprehensible, awards should also be reserved only for those who clearly deserve them. Third, and most important, "handles would have to go". Changing people's names and mode of address is anachronistic, snobbish and open to abuse, made all the worse, your editorial argues, by the actual powers and influence of the House of Lords.

This is a powerful argument, *cogently put*. It is bizarre, therefore, that you should fail to carry it through to its conclusion.

Just imagine a large company that gives special names to some staff and invests others with life-long influence until they die and does so by means of a secret committee. Imagine that style, school ties, Oxbridge connections and connivance all play a part in this. Imagine that while the accountants get lots of these perks, those who run the warehouse or oversee production get far fewer and resent it, and have no means to express their resentment except by "going slow".

Yes, you are imagining the civil service. Once, perhaps, it ran well. But today, when people want to be treated like citizens, when information technology demands proper training and skills, it is obvious that such a system – which threatens people's dignity – will lower morale, productivity, competitiveness and profits.

If no contemporary company could expect to conduct itself according to the honours system without losing out, is it so difficult to see that a country that does, also loses out?

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UK COMPANY NEWS

MCC's 'Noddy' publisher placed into administration

By Raymond Snoddy

MACDONALD Publishing, the Maxwell Communication Corporation's loss-making UK publishing operation, was yesterday placed into administration by the High Court.

The company, which publishes the novels of Catherine Cookson and the Noddy books of Enid Blyton, owed its parent company MCC, itself in administration, £33m.

The flow of financial support from MCC has been drying up and there were fears that third party creditors would seek petitions to wind up the company.

A considerable number of significant publishing groups are interested in buying Macdonald.

Mr Anthony Lomas, an administrator from Price Waterhouse said yesterday: "I have got a lot of interest from big players. There is real interest being expressed either for the whole of the business or parts of the business."

Mr Lomas said the potential purchasers included Simon & Schuster, Headline and Orion Books. Orion is the new company set up by Mr Anthony Cheetham who was forced out of Random House in November. The company has already taken over Weidenfeld.

The administrator began talking to possible buyers last night and will be seeking competitive bids either for the whole business or the constituent parts.

For the time being Macdonald will continue operating as normally as possible, although it is unlikely that authors would be interested in signing new contracts at the moment.

"I have some money to oil the wheels and there is enough to fund the company at least until the end of the month," said Mr Lomas before going off to address both the Macdonald staff and directors.

The publishing company is estimated to have been making losses of more than £1m on sales of more than £20m. Macdonald publishes across a wide range of hardback and paperback books everything from literary biographies to mass-market thrillers. Its imprints include Sphere, Abacus, Cardinal and Futura. The company employs 283 staff but jobs are believed to be secure at least for the time being.

S&N saves $59m as it settles action for $37.5m

By Daniel Green

SMITH & NEPHEW, the healthcare company, yesterday settled a long-running legal dispute with a Californian company for a fraction of the $96.2m (£52.8m) awarded against it by US courts.

The settlement is for $37.5m, resulting in a net after-tax cost to S&N of £14m.

"This removes a big uncertainty for investors and a waste of time for management," said Mr John Robinson, S&N's chief executive.

S&N was ordered in May 1990 to pay a $96.2m damages award to Polteco, a research and development company. Polteco had claimed that S&N had misappropriated technical know-how on materials used in artificial joints. S&N appealed against the award.

Yesterday's settlement will be treated as an extraordinary item in S&N's 1991 accounts.

Mr Mark Brewer at broker Credit Lyonnais Laing said: "Gearing at the end of 1991 was 30 per cent." He estimated that if S&N had been made to pay the $96.2m then it would have risen to 40 per cent.

S&N shares rose 1¾p to 143p, their highest level for more than two years. This built on the 5p gain made on Thursday following the accidental mailing of the information on the legal settlement to the City of London office of Banque Paribas.

"The press release came from the distribution arm of our public relations consultant," said Mr Robinson. "We are still checking the causes."

The company was forced to say on Thursday afternoon that a settlement had not yet been reached.

The dispute had its origin in 1987, when Smith & Nephew Richards, S&N's US subsidiary, signed a $140,000 agreement with Polteco to research and develop a longer-lasting material for use on the surfaces of its implant components.

Darby quits NHL and warns of future essential refinancing

By David Barchard

MR JOHN DARBY, chairman of National Home Loans Holdings, yesterday told shareholders at the company's annual general meeting that he was stepping down.

At the same time he warned shareholders that refinancing, either via a third party or a rights issue, would eventually be necessary.

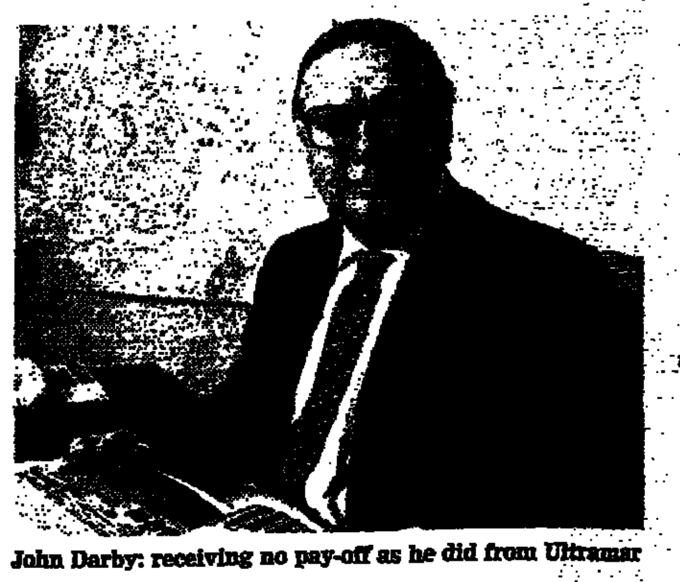
His remarks appeared to confirm the view of some analysts that NHL intends to seek cash from its shareholders once negotiations with a new backer are completed.

No replacement has yet been named for Mr Darby, a non-executive chairman who has headed NHL since it was set up in 1985. His decision follows a disastrous year for the company in which it plunged to losses of £47.9m after making bad debt provisions of £88.7m.

In October, Mr Darby also resigned as chairman of Ultramar, the oil and gas company, a month before it fell to a hostile bid from Lasmo.

NHL said yesterday that Mr Darby, chairman of Arthur Young, the accountants, for more than a decade, would not receive any compensation. When he left Ultramar, Mr Darby received a pay-off of £680,000.

News of the resignation was announced at a meeting in which small shareholders challenged the board to account for NHL's misfortunes this year.



John Darby: receiving no pay-off as he did from Ultramar

One investor said that he and his wife owned 1.5m NHL shares between them. He pointed out that in little more than two months, the company's estimate of necessary provisions had jumped from £16m to £88.7m and he asked whether the increase had been suggested by the auditors.

Mr Darby told shareholders that the company's cash flow was still positive, though unpaid interest had to be taken into account. The rest of the board will continue in place.

Macmillan little touched by Maxwell fall, says chief

By Alan Friedman in New York

MR DAVID Shaffer, who is chairman of the Macmillan publishing group and was last week named by a New York bankruptcy court to manage the US assets of Maxwell Communication Corporation, told MCC's bank creditors that Macmillan's business had felt little impact from the scandal surrounding the collapse of the Maxwell empire.

Mr Shaffer sought to reassure MCC's bank creditors in New York on Thursday, at a meeting also attended by Mr Mark Homan, the Price Waterhouse partner who is one of the UK court-appointed administrators of MCC.

MCC filed last month for protection from creditors under Chapter 11 of US bankruptcy law.

Under a transatlantic agreement announced on January 3, Mr Shaffer will manage the US assets of MCC and consult with UK administrators.

The New York court agreement is subject to review next week.

In addition Mr Shaffer said yesterday that he wished to correct a statement he made in an interview earlier this week concerning the holders of shares in Berlitz, the language school subsidiary of Macmillan.

In an interview on Tuesday, Mr Shaffer said that Swiss Bank Corporation was among the five groups that received Berlitz stock from the Maxwells as collateral on loans; yesterday he said that it was Credit Suisse and not Swiss Bank Corporation he intended to mention.

● The Daily News, the loss-making New York paper that was part of the Maxwell empire and which has filed for protection from creditors under Chapter 11, said that it had retained Salomon Brothers as its financial adviser.

Preliminary report draws no conclusions

By Richard Lapper

A preliminary report prepared for insurers reaches no conclusions about the cause of the death of the publisher, Mr Robert Maxwell.

It is understood that the report, which has been drafted by Dr Iain West, the Guys hospital pathologist, was circulating in the London insurance market yesterday.

Dr West is working on behalf of a number of insurers who underwrote a £20m policy insuring against Mr Maxwell's accidental death. The policy will pay out if Mr Maxwell died accidentally or was murdered. It would not cover his death from either suicide or natural causes.

Insurers will base their decision on Dr West's final report which he is expected to complete after studying the conclusions of a 500 page document prepared by Spanish pathologists.

Pepe margins hit as profits fall 13%

PEPE GROUP, the USM-quoted jeans designer and distributor, said the recession had caused a significant move by customers towards cheaper brands, particularly in the UK, writes Andrew Bolger.

Pre-tax profits fell by 13 per cent, from £3.57m to £3.09m, in the six months to September 29, in spite of a slight increase in sales from £81.3m to £82m.

Mr Arun Shah, chairman, said the year started positively butconditions had become progressively more difficult. Consumer markets remained weak, and competition intensified.

An exceptional charge of £490,000 (£166,000) was incurred from the rationalisation of the group's French subsidiary, Buffalo, and UK operations. Extraordinary charges of £499,000 were made to cover the closure of the Norwegian operation.

Mr Shah said despite a difficult trading environment, overseas growth had continued and such sales now accounted for 80 per cent of turnover, up from 75 per cent.

Turnover in the US and Spain rose by more than 100 per cent and 70 per cent respectively, and profits also showed strong growth. Results in Germany were below expectations.

Earnings per share fell from 7.8p to 6.2p and the interim dividend is cut from 2.5p to 2p. The decision on the final will be taken in the light of the year's results, and the decrease should not be seen as an indication of future dividend levels.

Overall stock levels had been reduced by 20 per cent over the past year. The balance sheet was strengthened by a£9.4m convertible preference share issue in July, although the interest costs benefits would not be seen until the second half. The interest charge in the first half rose from £2.42m to £2.51m. Gearing was down from 90 per cent to 45 per cent.

Trade debtors – despite slower collections as a result of weak markets – were also well under control.

KPMG resigns as Manchester Ship auditor

By Andrew Jack

KPMG Peat Marwick, the accountancy firm, has resigned as auditor to the Manchester Ship Canal after it was issued with a writ for more than £1m in damages related to tax advice given to the company.

Both KPMG and MSC stressed yesterday that the resignation was to prevent a conflict of interest as a result of the legal action against the firm's tax department and had nothing to do with its audit.

But the action leaves the company with little time to appoint a replacement firm and complete the audit within the legal time limit at the end of February.

MSC claims that in 1988 KPMG's tax consultants said it was eligible to receive more than £8m in tax relief concurrent with the construction of a building in the Trafford Park enterprise zone in Manchester.

In fact, it could only receive this sum over several years, and it says that the delayed payment has cost it more than £1m.

However, KPMG said last night that it would strongly contest the legal action.

MSC warned KPMG of possible action last April, and issued a writ in October. The firm hinted that it might resign on December 18 to prevent any compromise of the audit, and did so on Christmas Eve.

MSC is one of the few companies constituted under the 1845 Companies Clauses Consolidation Act, rather than the Companies Act. It is obliged to hold its annual general meeting within two months from its year end of December 31, and any change of auditors – who must be appointed individually rather than as a firm – needs to be approved by the shareholders.

The company is convening an extraordinary general meeting of shareholders on January 29 to recommend the appointment of two partners in the Manchester office of Robson Rhodes as replacement auditors.

The annual meeting is already scheduled for February 27, and shareholders must receive the accounts at least two weeks before that date.

Pena perks prompt parting

By Peggy Hollinger

MR DAN PENA, president and chief executive of Great Western Resources, has quit the beleaguered oil, coal and gas group. Payments totalling $1.45m made to him by the company, which it classifies as loans, will be deducted from his compensation package.

Mr Pena's departure follows significant shareholder dissatisfaction with his performance and that of the company, the shares of which have fallen from 242p more than a year ago to last night's 8p, down 1p.

Mr Pena's departure removes the immediate pressure for a Class Four circular which would have sought shareholder approval to class the payments made to him during the 1991 fiscal year as loans.

The decision on Mr Pena's departure was taken at a board meeting on Thursday morning, London time. Mr Howard Wolf, who was brought in by shareholders to replace Mr Pena as chairman last month, said that any compensation would "not be material" following the deduction of the $1.45m loans and other expenses.

Had the Class Four circular come out, it would have shown that Great Western made three loans of $700,000, $600,000 and $150,000 to Mr Pena in the year to September 30.

However, Mr Pena received a total of $2.65m during 1991, including his $600,000 annual salary. Most of the payments arose from the expenses of moving Mr Pena from Los Angeles to Houston, where the company is based, in 1990.

A further $600,000, which will not be deducted from his pay-off, comprised $150,000 moving expenses and $450,000 in interest on the bridging finance for Mr Pena's new $4m house in Houston.

Great Western also purchased a $1.1m penthouse flat in Houston to house Mr Pena and his family, rent and expense free while work was done on the Houston house. From yesterday the company is charging the Penas rent, which will be deducted from the compensation package.

Of the loans, $600,000 was used to meet part of the repayment terms of Mr Pena's Houston home. The company took up the obligation, and attributed it to the potential loss on the value of his California home, which was never sold.

A further $700,000 was for moving expenses and tax payments claimed on these charges by Mr Pena. The final $150,000 arose from refurbishment costs for the Houston house and invoiced to the company.

Mr Pena also holds life insurance policies, paid for by GWR, with an annual premium of $144,000 and a total cover of about £10m, according to sources close to the company. Mr Wolf said the company intended to stop payments and retrieve any cash value from the policies.

Mr Pena, who holds a little more than 10 per cent of GWR, will remain on the board. Mr Wolf said he did not expect Mr Pena to be presented for re-election at the annual meeting next month.

Mr Wolf also said yesterday that the group planned to present details of the legal battle with its largest customer, South Carolina Public Service Authority, in the annual accounts. The group has had severe financial difficulties since SCPSA filed a suit against it in November 1990.

Commercial Union bucks endowment trend

By John Authers

Commercial Union Life, the life assurance subsidiary of the composite insurance group, yesterday bucked the trend by announcing it would not cut bonuses on its endowment policies.

Pay-outs on 25-year endowments, which are particularly important as they are often used as mortgage repayment vehicles, increased by 6.3 per cent.

The news followed cuts in equivalent policies of 5 per cent by Norwich Union, the mutual insurer and 4.9 per cent by Guardian Royal Exchange.

However, CU is not alone in raising pay-outs, as General Accident Life raised the pay-out on its 25-year policy by 3.4 per cent.

Quiligotti hit by US side and reorganisation costs

By Ian Hamilton Fazey, Northern Correspondent

QUILIGOTTI, the USM-quoted manufacturer and installer of terrazzo floors based in Stockport, has incurred an attributable loss of £1.11m after paying compensation of £371,000 net to its previous family directors in the wake of an £8m management buy-in last September.

In November the company said there would be a trading loss of £444,000 in the six months to September 30, because operations in the US lost £860,000 and more than wiped out profits of £672,000 in Britain and Ireland, and because of £256,000 bad debts provision.

However, the full interim figures announced yesterday revealed a pre-tax loss of £646,000 (profit £1.08m) after an exceptional £202,000 for reorganisation of the UK business. To this is added compensation for the Quilligotti family – founding father and two sons – which is charged in the accounts as an extraordinary £371,000 net of tax; gross payments being nearly £571,000. The buy-in team initially hoped to work with the family.

Losses per share were 2.53p (earnings 2.41p) and the interim dividend is passed (0.76p). Payment of a final (0.77p) will depend on the second half performance.

Quiligotti is now run by Mr Roy Jenkins, a former executive at Marley, and Mr Michael Quinlan, once finance director of a Tarmac subsidiary.

Directors said the US operations were responding to tighter management.

Oliver shares fall on £12m loss warning

Shares in Oliver Group, the footwear and leather goods retailer, plunged 17p to 68p yesterday after the company warned of losses totalling £12m in 1991 and said that no final dividend would be paid.

The deficit compares with £2.68m profits in 1990, which had turned into larger than expected losses of £5.2m (£1.37m) at the halfway stage last June. The interim dividend however, was in effect unchanged at 0.71p after adjusting for a scrip issue and last year's total payment was equivalent to 3.88p.

Yesterday's forecast losses included a £0.5m deficit on the sale of properties and exceptional charges of £5.5m from the writedown of certain fixed assets and other rationalisation and reorganisation costs.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	56	49	BTR Warrants 1995/96	51	-3	–	–	–	–
–	F.P.	–	120	110	Baillie Gifford Jap Wrrts	111	-3	–	–	–	–
–	F.P.	–	425	405	Bristol Water Non-Vtg £1	425	+20	–	–	–	–
*335	110	–	126½	122	British Telecom New	125½		13.3	2.6	5.1	10.2
140	F.P.	–	144	140	Burn Stewart Dist.	144	+2	R5.0	2.3	4.6	11.1
–	F.P.	–	2½	2	Butte Mining Wrrnts.	2		–	–	–	–
†	F.P.	–	75	63	Capital Industries 1p	63	-7	–	–	–	–
–	F.P.	–	268	218	Eurotunnel '91 Wrnts.	268	+3	–	–	–	–
100	F.P.	–	92	88	Fidelity Euro Values	91		–	–	–	–
–	F.P.	–	22	20	Do. Warrants	21		–	–	–	–
–	F.P.	–	33	23	Fleming Japanese Wrrnts.	24		–	–	–	–
§235	F.P.	–	296	288	Frost Group	296	+1	u2.0	0.9	0.9	12.6
–	F.P.	–	21	19½	Hanson New Warrants	19½		–	–	–	–
120	F.P.	–	128	126	Harrington Kilbride	127		R4.5	1.8	4.7	12.9
♦	F.P.	–	25	24½	Hong Kong Zero Dv Pf	24½	+½	–	–	–	–
£10½	F.P.	–	£10⅝	£10⅝	Latin Am Inc & Appr. 1c	£10⅝		–	–	–	–
–	F.P.	–	4	3	Lowe (R) Wrrnts	3		–	–	–	–
–	F.P.	–	4	½	Multitrust Warrants	4		–	–	–	–
60	F.P.	–	59	56	§Seafield Resources	56		–	–	–	–
50	F.P.	–	33	33	§Simpsons of Cornhill 5p	33		–	–	–	10.2
100	F.P.	–	105	103	St. Davids Zero Div Pf	104½		–	–	–	–
–	F.P.	–	4	3½	Willis Group Wrrnts.	4		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+ or -
10p	F.P.	-	10p	8p	Butte Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	107½	98½	Camborne Inds. 10½pc Rd. Deb. 2001	107½	+2
100p	F.P.	-	103p	100p	Fidelity Euro. Values Equity Ln 2001	101p	
105	F.P.	-	105	98	Greencore 9.5% Cnv Un Ln Stk 1995	100	
310p	150p	-	241pm	187pm	Inchcape Non-Int. Bearing Cv Un Ln	232pm	+10
100p	F.P.	-	104p	100¼p	NatWest Bank 9pc Prf Series A	102¼p	+¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+ or -
43	Nil	–	5pm	3pm	Anglo Irish Bank	3pm	-2
34	Nil	–	4pm	½pm	Cliff Resources	½pm	
235	Nil	–	26pm	11pm	Hartstone	11pm	-1
415p	Nil	–	114pm	100pm	Northern Foods	107pm	
77½	Nil	–	1½pm	¼pm	River & Merc. Cap.	¼pm	
105½	Nil	–	1½pm	¼pm	Do. Inc.	¼pm	
113½	Nil	–	4½pm	3pm	Do. Scpd. Pf	4pm	
17½	Nil	–	1½pm	¼pm	Do. Warrants	¼pm	-½
125	Nil	–	¼pm	¼pm	Tottenham Hotspur	¼pm	
148	Nil	–	20pm	15½pm	Unichem 10p	20pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Issue price to private investors. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Jan. 6
- Last Dealings Jan. 17
- Last Declarations April 2
- For settlement April 13

3-month call rate indications are shown on page 9.

Calls in Aitken Hume, Amstrad, ASDA, Aviva Petlm., Barratt Devs., Kunick, Firstland Oil & Gas, Lep, Y.J. Lovell, Midland & Scottish Res. (10p shares), Monument Oil, Tarmac and Thames TV. Puts in B. Elliott, Medeva and G. Wimpey.

NEWS DIGEST

£93m US growth by Arjo Wiggins

A $170m (£93.4m) expansion in the US is planned by Arjo Wiggins Appleton, increasing annual paper production capacity by 100,000-150,000 tons.

The project is a strategic investment in carbonless paper and thermal facsimile paper, and will be carried out at the Combined Locks pulp and paper mill in Wisconsin. It will include the installation of a state-of-the-art paper machine and expansion of other facilities. It is scheduled for completion by early 1994. The range of the annual production increase depends on the grades being produced.

Cinzano takeover to be reviewed

THE European Commission said yesterday that it would review plans for the £80m agreed takeover of Cinzano, the Italian vermouth and wines company, by Grand Metropolitan, the UK drinks, food and retailing group.

GrandMet, which already owns 25 per cent of the company, announced last week that it would acquire the outstanding shares from the Cinzano Merano family and Ifint, the investment company of the Agnelli group.

Under EC law, the Commission has one month to either clear the deal or, if it has "serious doubts" about the takeover on competition grounds, to launch a full inquiry.

Increased loss for British Bloodstock

Increased pre-tax losses of £412,000 were announced by the British Bloodstock Agency for the half year to September 30 compared with a loss last time of £309,000.

The USM-quoted wholesaling, agricultural materials and livestock group, had achieved a significant reduction in overhead expenses Mr Michael Wates, the chairman, said, but the deepening of the recession in bloodstock markets had outweighed the savings.

He added that the sale of Thormanby Stud in December and two smaller properties had produced more than £500,000 which would reduce borrowings and interest charges.

Although gross revenue fell to £8.52m (£14.6m) turnover moved just ahead to £1.87m (£1.85m). The loss per share increased to 10.1p (8.1p) and again there is no dividend.

First Spanish net asset value lower

Net asset value at First Spanish Investment Trust fell from 85.2p to 72.2p over the six months to November 30. However it was higher than the 68.3p of a year earlier.

Sir William Harding, chairman, said the fall was due to the poor performance of the construction sector, in which the portfolio was heavily invested.

Net revenue for the half year to end-November was £270,000 (£347,000) for earnings per share were 0.76p (0.98p).

Blackland Oil shares suspended at 12p

Trading in the shares of Blackland Oil has been temporarily suspended at 12p at the company's request, pending shareholder approval of re-organisation.

The directors of this USM-quoted oil exploration and production company stated that they had noted the adverse movement in the share price and rumours of a rights issue. They announced that the company was in "advanced discussions" that might lead to a "major acquisition by the company in the near future, which would involve raising new equity finance for the expanded group".

Brent Walker facilities extended

Brent Walker, the troubled leisure group, has announced that the £35m interim facilities granted by its banks since July 1991 and the global facilities agreement have been extended to January 31 because it has not yet been possible to implement the group's restructuring.

Lilleshall in £2.8m plastics acquisition

At a cost of £2.79m Lilleshall has acquired Solarfront, which makes plastic garden and houseware products through its subsidiary Crystalware Products.

This extends Lilleshall's engineering and plastics activities and provides it with a branded consumer product.

Consideration for the acquisition is £1.43m cash and the issue of 1.4m shares, 250,000 of which have been retained by the vendor and the balance placed with institutions at 96p.

Solarfront was incorporated in July 1990. For the period to July 31 1991 it made pre-tax profits of £600,000 on turnover of £3.8m, while in that year Crystalware earned £800,000 on sales of £4.9m.

Interest charges hold back Jennings Bros

Higher interest payments offset to a large extent a 71 per cent advance in trading profits at Jennings Brothers, the Cumbria-based brewer.

The upshot was an increase in pre-tax profit for the year ended September 28 1991 of 18 per cent. It amounted to £395,000 (£335,000).

Profit on the disposal of properties of £215,000 (£177,000) and exceptional credits of £67,000 (debits £47,000) benefited the pre-tax figure.

Mr Tom Bushby, chairman, said that, in spite of a difficult trading background, turnover rose to £8.57m (£6.94m) with own products showing a volume increase of 21 per cent. And the current year had started well with higher volume sales.

The economic situation put pressure on local trade and reduced the influx of tourists into the Lake District during the summer holidays. Also there was fierce competition from the heavily promoted brands of the national brewers.

Earnings per share were 12p (8.8p). The final dividend is a proposed 3p for a total of 4.8p (4.65p).

Burn Stewart in Russian joint venture

Burn Stewart, the recently-floated independent Scotch whisky distiller, has agreed to form a joint venture company with SPI, a Russian import/export organisation, to trade in wines and spirits between the UK, Russia and other former Soviet republics.

The group will take a 45 per cent share in the joint venture, Plodimex UK, and merge its RH & M Victuals subsidiary, which has longstanding trading links with Russia, into the new company.

SPI, which has already established other Plodimex companies in Germany, Brazil, Cyprus and Singapore, handles the export of Stolichnaya vodka. Its distribution in the UK is expected to continue through Allied-Lyons.

£650,000 rights at Manx Petroleum

Manx Petroleum, the oil exploration company whose shares are traded on the over the counter market, is raising a maximum £650,000 net via a 1-for-1 rights issue at 55p per share.

Of the 1.34m shares to be issued, 981,124 – about 75 per cent – have already been committed.

At the same time Manx announced that its board and that of Celtic Basin Oil Exploration had agreed terms for a merger. Manx already owns 40 per cent of CBOE and the balance is to be bought for shares.

Manx is also to reorganise its capital structure by sub-dividing its existing ordinary shares of £1 into one ordinary of 5p and one non-voting deferred of 95p. Then, subject to the confirmation of the Court, the latter will be cancelled.

Clarke Foods shares resume trading

Clarke Foods, the USM-quoted ice cream manufacturer, yesterday unveiled its £6.8m cash call and announced details of its £12m purchase of Lyons Maid from Allied-Lyons, the brewing and foods group.

The 2-for-3 rights issue was pitched at 60p. Clarke's shares have been suspended at 54p pending completion of the Lyons Maid deal. Trading will resume on Monday.

Mr Harry Clarke, the man who made the Klondike bar America's best-selling novelty ice cream, said institutions had been happy with the rights price.

The Clarke family, which holds about 33 per cent of the company, will take up part of its entitlement, leaving it with 27 per cent of the voting rights. Hillsdown Holdings, which holds 16.75 per cent of Clarke and from which it bought its first three ice cream companies, will also take up its rights in full.

Clarke will pay Allied-Lyons £8.6m on completion of the deal for Lyons Maid and the balance in 30 months. The company will also assume Lyons' trade creditors.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 11.01.92: Pool purchase price £/MWh	Final Prices for Trading on 14.12.91: Pool purchase price £/MWh	Final Prices for Trading on 14.12.91: Pool selling price £/MWh
0030	17.16	17.15	17.15
0100	19.23	20.72	22.93
0130	21.71	27.50	29.86
0200	21.71	27.50	29.86
0230	19.23	19.58	21.74
0300	19.23	19.58	21.74
0330	19.01	18.95	21.09
0400	19.01	18.63	20.76
0430	19.01	17.11	17.11
0500	17.15	17.05	17.05
0530	17.14	17.45	17.45
0600	17.13	17.45	17.45
0630	17.14	17.45	17.45
0700	17.14	17.34	17.34
0730	17.13	19.44	21.61
0800	17.15	19.44	21.62
0830	17.16	19.44	21.62
0900	19.01	21.56	23.82
0930	20.19	26.54	28.98
1000	20.19	26.54	28.97
1030	20.19	26.54	28.96
1100	20.19	26.54	28.97
1130	20.19	21.79	24.04
1200	20.19	21.41	23.65
1230	19.40	21.41	22.65
1300	18.92	20.42	22.61
1330	18.92	17.58	17.58
1400	17.16	17.45	17.45
1430	17.14	17.28	17.28
1500	17.12	17.32	17.32
1530	17.13	17.32	17.32
1600	17.16	17.41	17.41
1630	17.17	20.42	22.60
1700	24.93	23.77	26.08
1730	24.93	27.01	29.35
1800	24.93	27.01	29.36
1830	24.93	26.99	29.31
1900	21.03	23.75	26.97
1930	19.34	21.47	23.66
2000	19.64	21.47	23.66
2030	19.64	21.47	23.66
2100	19.11	19.44	21.58
2130	18.90	17.54	17.54
2200	18.90	17.41	17.41
2230	17.16	17.41	17.41
2300	17.12	17.32	17.32
2330	17.09	17.03	17.03
2400	17.12	17.11	17.11

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

ECONOMIC DIARY

TODAY: Mr Norman Lamont, Chancellor of the Exchequer, has pre-budget discussions at Chevening, Kent. European Community trade and farm ministers meet in Brussels to finalise the EC position on proposed world trade deal.

MONDAY: Credit business (November). Retail sales (November – final). European Community finance ministers meet in Brussels. Uruguay Round negotiators return to Geneva with reponses from their governments to Gatt chief Arthur Dunkel's blueprint for a trade pact. Finnish parliament due to debate government report on joining the European Community. Mr Ian Maxwell and Mr Kevin Maxwell ordered to appear before House of Commons all-party committee looking into the conduct of pension funds.

TUESDAY: Capital issues and redemptions (December). Producer price index numbers (December – provisional). US retail sales (December). European Community budget council meets in Brussels. The Institute of Economic Affairs holds state of the economy conference in London. Bank of England petition to wind up Bank of Credit and Commerce International resumes in the High Court.

WEDNESDAY: Quarterly analysis of bank advances (September – November). Details of employment, unemployment, earnings, prices and other indicators. US wholesale trade (November); business inventories/sales (November). Deadline for European Community to recognise Yugoslav republics of Croatia and Slovenia.

THURSDAY: Institutional investment (third quarter). Labour market statistics: unemployment and unfilled vacancies (December – provisional); average earnings indices (November – provisional); employment, hours, productivity and unit wage costs; industrial disputes. Provisional figures of vehicle production (December). US industrial production (December), capacity utilisation (December); real earnings (December) and consumer price index (December).

FRIDAY: Public sector borrowing requirement (December). Retail prices index and tax and price index (December).

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Friday January 10 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Thu Jan 9 Index No.	Wed Jan 8 Index No.	Tue Jan 7 Index No.	Year ago (approx) Index No.	Highs and Lows Index 1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (178)	739.74	-1.3	9.20	6.50	13.90	0.00	749.16	744.89	750.08	698.24	890.04 15/3 /91	675.31 16/1 /91	1038.07 16/7 /87	50.71 13/12/74
2	Building Materials (23)	872.32	-1.6	7.98	7.14	16.97	0.00	886.12	883.42	891.73	948.75	1167.75 14/3 /91	820.50 23/12/91	1381.08 16/7 /87	44.27 11/12/74
3	Contracting, Construction (29)	827.89	-2.2	9.70	8.96	14.85	0.00	846.57	842.66	847.67	1079.75	1438.66 15/3 /91	822.60 23/12/91	1951.50 16/7 /87	71.48 2 /12/74
4	Electricals (7)	2401.82	+0.4	10.32	6.24	12.18	0.00	2392.60	2364.83	2379.93	1887.76	2675.48 1 /10/91	1837.98 22/1 /91	3040.80 8 /9 /89	84.71 25/6 /62
5	Electronics (26)	1659.25	-1.2	11.13	5.18	11.38	0.00	1679.12	1677.80	1686.55	1499.56	1958.19 15/3 /91	1478.08 16/1 /91	2308.22 19/5 /89	1229.01 8 /10/85
6	Engineering-Aerospace (8)	331.17	-0.3	16.30	7.85	7.47	0.00	332.15	324.42	322.13	387.69	469.23 9 /4 /91	318.78 23/12/91	502.42 13/6 /90	318.78 23/12/91
7	Engineering-General (43)	464.64	-0.2	10.27	5.39	12.01	0.00	465.52	463.08	463.29	355.30	503.16 2 /10/91	339.57 23/1 /91	505.10 15/6 /90	339.57 23/1 /91
8	Metals and Metal Forming (10)	295.34	-2.9	2.37	11.77	–	0.00	304.04	306.26	306.88	397.10	509.18 3 /4 /91	286.87 20/12/91	596.67 9 /10/87	49.65 6 /1 /75
9	Motors (13)	277.78	-4.1	9.27	8.58	14.32	0.00	289.51	290.26	294.65	277.61	371.25 6 /9 /91	266.43 16/1 /91	411.42 13/10/87	19.91 6 /1 /75
10	Other Industrial Materials (19)	1524.43	-1.0	7.85	5.37	15.15	0.00	1539.35	1525.31	1542.52	1209.72	1695.01 2 /9 /91	1147.76 16/1 /91	1881.53 18/8 /89	277.55 15/1 /81
21	CONSUMER GROUP (188)	1615.35	-0.4	7.30	3.42	16.84	0.00	1622.20	1597.44	1598.84	1216.79	1622.20 9 /1 /92	1188.45 16/1 /91	1622.20 9 /1 /92	61.41 13/12/74
22	Brewers and Distillers (23)	2028.03	+0.4	8.20	3.50	14.77	0.00	2020.16	2019.56	2036.66	1586.44	2036.66 7 /1 /92	1478.24 25/1 /91	2036.66 7 /1 /92	69.47 13/12/74
25	Food Manufacturing (18)	1226.41	-1.0	8.97	4.14	13.72	0.00	1239.21	1222.63	1229.93	1031.05	1251.91 2 /10/91	1013.60 16/1 /91	1251.91 2 /10/91	59.67 11/12/74
26	Food Retailing (17)	2293.80	-1.6	10.10	3.61	12.86	0.00	2331.76	2353.65	2364.57	2288.01	2854.91 2 /5 /91	2231.21 22/11/91	2854.91 2 /5 /91	54.25 11/12/74
27	Health and Household (24)	4603.29	-0.5	4.94	2.12	23.22	0.00	4626.49	4459.46	4413.62	2501.98	4626.49 9 /1 /92	2454.93 16/1 /91	4626.49 9 /1 /92	175.38 28/5 /80
29	Hotels and Leisure (24)	1231.20	-0.3	8.44	5.50	14.68	0.00	1234.41	1227.15	1230.61	1172.65	1405.62 2 /9 /91	1066.91 25/1 /91	1845.77 8 /9 /89	54.83 9 /1 /75
30	Media (25)	1419.78	-0.4	6.85	3.78	18.29	0.00	1425.38	1402.70	1419.98	1206.44	1565.67 20/9 /91	1166.91 16/1 /91	1565.67 20/9 /91	1166.91 16/1 /91
31	Packaging, Paper & Printing (17)	746.06	-0.3	7.22	4.45	16.79	0.00	748.18	735.31	726.58	515.62	788.41 9 /9 /91	486.96 16/1 /91	788.41 9 /9 /91	43.46 6 /1 /75
34	Stores (32)	954.27	-0.4	7.70	3.90	17.22	0.00	957.89	945.89	948.70	790.09	1042.47 8 /11/91	766.89 29/1 /91	1160.58 29/7 /87	52.63 6 /1 /75
35	Textiles (10)	602.02	+2.6	7.68	5.16	16.61	0.00	590.45	587.29	590.43	406.51	652.30 1 /11/91	396.58 28/1 /91	914.52 2 /10/87	62.66 11/12/74
40	OTHER GROUPS (115)	1181.06	-0.8	10.26	5.64	12.28	0.00	1190.11	1180.30	1192.38	982.88	1330.48 2 /10/91	961.05 16/1 /91	1330.48 2 /10/91	58.63 6 /1 /75
41	Business Services (16)	1386.62	-0.6	7.24	4.73	17.56	0.00	1394.37	1381.67	1387.71	993.35	1447.24 4 /10/91	892.28 1 /2 /91	1447.24 4 /10/91	892.28 1 /2 /91
42	Chemicals (21)	1392.40	-0.7	7.27	5.27	17.01	0.00	1402.38	1392.91	1403.36	1033.37	1520.52 2 /9 /91	1004.01 16/1 /91	1545.46 5 /10/87	71.20 1 /12/74
43	Conglomerates (11)	1275.07	-1.1	11.81	8.14	10.28	0.00	1289.48	1279.51	1304.23	1241.25	1626.42 14/3 /91	1203.24 23/12/91	1819.46 11/8 /89	975.19 10/11/87
44	Transport (14)	2322.34	-1.2	5.52	4.87	23.83	0.00	2350.92	2332.83	2361.11	1844.75	2425.36 2 /10/91	1730.87 23/1 /91	2554.69 12/7 /89	90.80 29/6 /62
45	Electricity (16)	1156.75	-1.7	15.68	6.43	8.30	0.00	1177.16	1166.28	1177.75	997.08	1286.51 2 /10/91	994.96 7 /1 /91	1286.51 2 /10/91	994.96 7 /1 /91
46	Telephone Networks (4)	1388.29	-0.2	11.30	4.52	11.55	0.00	1390.43	1383.17	1398.85	1103.93	1658.67 2 /10/91	1085.95 16/1 /91	1658.67 2 /10/91	517.92 30/11/84
47	Water (10)	2228.20	+0.7	19.16	7.14	5.75	0.00	2212.37	2180.98	2184.27	2201.09	2539.85 6 /9 /91	2134.83 16/1 /91	2539.85 6 /9 /91	1820.20 1 /5 /90
48	Miscellaneous (23)	1777.65	-1.2	5.60	5.50	24.59	0.00	1799.40	1776.56	1791.18	1542.00	2033.42 15/8 /91	1506.17 16/1 /91	2087.06 11/7 /89	60.39 6 /7 /75
49	INDUSTRIAL GROUP (481)	1255.40	-0.7	8.54	4.63	14.64	0.00	1263.87	1249.40	1255.43	1017.33	1326.09 6 /9 /91	991.97 16/1 /91	1326.09 6 /9 /91	59.01 13/12/74
51	Oil & Gas (19)	2112.52	-1.0	12.11	6.64	10.92	0.00	2133.83	2101.56	2115.76	2236.58	2509.42 23/7 /91	2101.45 21/1 /91	2528.70 3 /8 /90	87.23 29/5 /62
59	500 SHARE INDEX (500)	1332.58	-0.7	8.94	4.86	14.10	0.00	1342.07	1326.15	1332.84	1117.86	1424.90 2 /9 /91	1092.04 16/1 /91	1424.90 2 /9 /91	63.49 13/12/74
61	FINANCIAL GROUP (87)	698.72	-1.3	–	6.66	–	0.00	707.91	704.85	712.96	690.17	859.94 15/3 /91	667.36 16/1 /91	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	828.96	-1.0	4.76	6.40	41.56	0.00	837.60	828.96	832.40	724.49	990.15 6 /9 /91	695.08 15/1 /91	990.15 6 /9 /91	62.44 12/12/74
65	Insurance (Life) (6)	1405.61	-1.7	–	6.08	–	0.00	1429.85	1445.80	1476.04	1260.96	1632.53 4 /9 /91	1220.74 16/1 /91	1632.53 4 /9 /91	44.88 2 /1 /75
66	Insurance (Composite) (7)	492.44	-3.3	–	8.85	–	0.00	509.27	510.40	524.92	602.30	728.27 15/3 /91	462.25 23/12/91	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (10)	953.77	-0.8	8.44	7.00	15.60	0.00	961.62	953.74	967.39	988.43	1202.38 5 /4 /91	932.88 23/1 /91	1399.56 17/7 /87	65.86 16/12/74
68	*Merchant Banks (7)*	*452.29*	*-0.5*	–	*4.74*	–	*0.00*	*454.76*	*450.41*	*451.12*	*341.52*	*498.05 15/11/91*	*327.70 16/1 /91*	*547.59 12/10/87*	*31.21 7 /1 /75*
69	Property (34)	768.57	-0.4	7.14	6.00	19.95	0.00	771.84	767.69	776.60	938.00	1087.65 15/3 /91	767.69 8 /1 /92	1398.87 5 /9 /89	56.01 20/4 /65
70	Other Financial (14)	232.67	-0.1	11.46	7.68	11.00	0.00	232.98	233.33	234.38	244.32	298.63 15/3 /91	225.10 23/12/91	603.48 16/7 /87	33.29 17/12/74
71	Investment Trusts (68)	1166.17	+0.1	–	3.73	–	0.00	1164.64	1149.58	1165.67	968.80	1261.80 6 /9 /91	947.19 16/1 /91	1323.81 4 /1 /90	71.12 13/12/74
99	ALL-SHARE INDEX (655)	1182.19	-0.8	–	5.04	–	0.00	1191.18	1178.08	1185.20	1012.23	1284.07 6 /9 /91	987.46 16/1 /91	1284.07 6 /9 /91	61.92 13/12/74
		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 9	Jan 8	Jan 7	Jan 6	Jan 3	Year ago				
	FT-SE 100 SHARE INDEX‡	2477.9	-20.0	2518.3	2476.4	2497.9	2467.1	2482.9	2493.2	2504.1	2106.1	2679.6 2 /9 /91	1990.2 28/9 /90	2679.6 2 /9 /91	986.9 23/7 /84

FIXED INTEREST

	PRICE INDICES	Fri Jan 10	Day's change %	Thu Jan 9	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (26)	121.99	+0.03	121.96	2.21	0.00
2	5-15 years (27)	136.48	-0.38	137.00	2.87	0.00
3	Over 15 years (9)	145.36	-0.57	146.20	1.92	0.00
4	Irredeemables (6)	160.62	+0.21	160.28	1.72	0.00
5	All stocks (68)	134.20	-0.26	134.56	2.58	0.00
	Index-Linked					
6	Up to 5 years (2)	168.06	-0.03	168.11	1.04	0.00
7	Over 5 years (9)	148.68	-0.12	149.14	0.61	0.27
8	All stocks (11)	150.23	-0.11	150.63	0.67	0.23
9	Debs & Loans (62)	116.14	-0.14	116.30	2.50	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Fri Jan 10	Thu Jan 9	Year ago (approx.)	1991/92 High	1991/92 Low
	British Government						
1	Low	5 years	8.85	8.77	9.96	10.14 16/1 /91	8.42 12/11/91
2	Coupons	15 years	9.30	9.27	10.00	10.24 2 /1 /91	9.24 18/9 /91
3	(0%-7¾%)	20 years	9.30	9.27	10.04	10.26 2 /1 /91	9.24 18/9 /91
4	Medium	5 years	9.71	9.65	10.80	11.15 2 /1 /91	9.56 20/9 /91
5	Coupons	15 years	9.39	9.33	10.39	10.62 2 /1 /91	9.33 9 /1 /92
6	(8%-10¾%)	20 years	9.34	9.29	10.23	10.50 2 /1 /91	9.29 9 /1 /92
7	High	5 years	9.92	9.86	10.93	11.25 2 /1 /91	9.75 20/9 /91
8	Coupons	15 years	9.47	9.40	10.57	10.80 2 /1 /91	9.40 9 /1 /92
9	(11%-)	20 years	9.40	9.33	10.37	10.67 2 /1 /91	9.33 9 /1 /92
10	Irredeemables†		9.50	9.52	10.22	10.46 2 /1 /91	9.43 18/9 /91
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	4.01	3.98	3.91	4.48 15/7 /91	3.59 18/1 /91
12	Inflation rate 5%	Over 5 yrs.	4.33	4.31	4.18	4.45 31/12/91	4.09 18/2 /91
13	Inflation rate 10%	Up to 5 yrs.	3.40	3.36	2.65	3.60 9 /7 /91	2.13 21/2 /91
14	Inflation rate 10%	Over 5 yrs.	4.16	4.14	4.00	4.27 31/12/91	3.90 12/4 /91
15	Debs &	5 years	11.06	11.06	12.52	12.63 9 /1 /91	11.06 9 /1 /92
16	Loans	15 years	10.90	10.89	12.32	12.38 18/1 /91	10.84 23/9 /91
17		25 years	10.74	10.72	12.12	12.16 18/1 /91	10.66 23/9 /91

‡Opening index 2503.6; 9 am 2511.2; 10 am 2501.0; 11 am 2498.3; Noon 2494.6; 1 pm 2491.8; 2 pm 2490.4; 2.30 pm 2492.1; 3 pm 2490.2; 4.10 pm 2476.7; (a) 8.39am (b) 4.11pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. Tel: 071-702 0991.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*652)	600	55	81½	86½	2	13½	22
	650	19½	51½	56½	16½	32½	44½
	700	8½	28½	–	53½	60½	–
ASDA (*29)	25	5½	7½	10	½	3¼	4
	30	2¼	5	8	2½	5½	6
	34	¼	3	–	5½	7	–
Brit. Airways (*229)	200	30½	38	42½	½	2¼	7
	220	11	24	28½	1¼	7	13
	240	2½	12½	19¾	11½	15½	22
SmKl Beecham A (*936)	850	89½	113	135	1	9½	18
	900	43½	76½	101	4	24½	32½
	950	12	47½	73½	22½	43½	51½
Boots (*422)	390	32½	47	53	½	5	9½
	420	6	25	33	5¼	14	19½
	460	½	7¼	13½	38	38	41½
B.P. (*281)	280	7	15	20½	5	12	15½
	300	1½	6	11½	19	25½	25½
British Steel (*65)	60	5½	8¼	10¼	½	2½	4
	70	1	4¼	5¼	6½	7¼	9
Bass (*1038)	1000	41½	76½	95½	2¼	16½	26½
	1050	10	46½	65¼	20	35¼	41½
C & Wire (*590)	550	42	63	75	2	10½	19
	600	7½	32½	45	15½	27	37½
Courtaulds (*499)	460	41	59	66	1¼	6¼	12½
	500	9½	32	40	9	20	26
Com. Union (*465)	460	10½	23	33½	4½	21½	27
	500	2½	7	18	33½	50½	50½
Fisons (*346)	330	20	32	42	2	13	16½
	360	3¼	17½	27	2	13	16½
GKN (*284)	280	9½	17	22	2¼	18	23
	300	1¼	7½	14½	16½	30	32
Grand Met. (*921)	900	16½	51½	76½	11	26½	34½-
	950	–	29½	51½	–	49½	54½
I.C.I. (*1165)	1150	30½	57½	85	10	48½	56½
	1200	7½	33½	61½	36½	78½	83½
Kingfisher (*467)	460	12	30½	35½	6½	17½	22½
	500	½	12½	19½	35½	39½	44½
Ladbroke (*219)	211	9½	–	–	3½	–	–
	220	–	14½	19½	–	14½	18
Land Secur (*448)	420	29½	44½	49½	1	5¼	12½
	460	3½	19½	24½	14	21	31½
M & S (*272)	260	14½	24½	28½	1	6½	10½
	280	3½	11½	17½	8¼	14½	19½
Sainsbury (*342)	330	–	26	30½	–	7½	10
	356	1¼	–	–	14½	–	–
Shell Trans. (*473)	460	15½	23½	36½	3½	17½	20
	500	2	8½	18½	29	43½	44½
Storehouse (*104)	100	6	10½	12½	3	7	9½
	110	1	5	7½	7½	12	14
Trafalgar (*129)	120	12	20½	22	1¼	7½	13
	130	7	15½	17½	5	12½	17½
Utd. Biscuits (*415)	390	27	38	44	1¼	8	12½
	420	5	19½	25½	9½	23	25
Unilever (*886)	850	41½	63½	80½	2	17½	21½
	900	7½	33½	52	20	39½	45½
Ultramar (*273)	260	14½	22½	30½	2½	15½	–
	280	4½	13½	–	10½	25½	–
Option		**Feb**	**May**	**Aug**	**Feb**	**May**	**Aug**
Brit Aero (*318)	300	25½	28½	32½	6	20½	24½
	330	9½	14½	21	20	37½	40½
BAA (*547)	500	54½	72½	75½	2¼	8	11½
	550	18	38	42½	16½	21½	29½

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
BAT Inds (*623)	600	35½	46½	54	7½	20	27½
	650	7½	20½	30	29½	39½	50½
BTR (*404)	390	23	31	39½	4¼	14½	17
	420	6	15½	25	20½	30	32
Brit. Telecom (*328)	300	27	38	43	2½	5½	9
	330	7¼	19	24½	13	17	21½
Cadbury Sch (*439)	420	32½	42½	54½	8	19	23½
	460	11½	24½	35½	25½	38½	42½
Eastern Elec (*220)	220	–	–	19	–	–	18½
	230	4	11½	–	17½	18½	–
Guinness (*532)	525	22	35½	–	9½	21½	–
	550	9½	23	35	22½	33½	35½
GEC (*187)	180	10	17	19	2	4¼	8¼
	200	2½	6¼	8¼	14	15	19
Hanson (*199)	180	20½	28	29½	1	3	4¼
	200	5¼	14	16½	6¼	9¼	11½
LASMO (*238)	220	24	28½	34½	4	11½	14½
	240	11½	17½	24	11½	22	24
Lucas Inds (*102)	100	6½	10½	12½	5	7	9¼
	110	3	5	7½	10	11½	14½
P. & O. (*421)	420	17	26	32½	12½	31	33
	460	4	9½	19	41½	60½	61½
Pilkington (*132)	130	9	15½	17½	5	10	13½
	140	4½	11½	12½	10½	14½	20
Prudential (*228)	220	16½	19½	24½	3	9½	12
	240	5½	9½	15½	12½	19½	21½
Racal (*51)	47½	5	–	–	1	–	–
	51½	2½	–	–	2½	–	–
R.T.Z. (*485)	460	34½	43½	53½	4½	15½	19
	500	11	20½	32½	19½	35½	37½
Scot. & New (*425)	390	41½	54½	61½	1¼	6	10½
	420	18½	34½	41½	8	14½	21
Tesco (*217)	200	20	24	29	2	6	8
	220	6½	12½	18	8½	14½	16½
Thames Water (*342)	330	19½	30½	35½	5½	9	15½
	350	7	–	–	14½	–	–
Vodafone (*357)	330	32	45	51	3	8	12
	360	12	27	33	13½	19½	24½
Option		**Mar**	**Jun**	**Sep**	**Mar**	**Jun**	**Sep**
Abbey Nat. (*280)	260	26	31	34	4½	7½	10
	280	10½	19½	23½	12½	16½	18½
Amstrad (*27)	25	4½	6½	8	2½	4¼	5
	30	2¼	4½	6½	5¼	7	8½
Barclays (*357)	330	36½	40½	44½	5	10	16½
	360	18	23	26½	20½	24	30½
Blue Circle (*219)	200	27	32	34	5	8½	12½
	220	14½	19½	24	12¼	19½	24½
British Gas (*240)	220	22½	25½	29½	2¼	7¼	9
	240	9	14	18½	12	19	18½
Dixons (*211)	200	17	26½	31	6	10½	13½
	220	8½	16½	20½	17	19	23
Eurotunnel (*452)	420	48	67	77	12½	21½	23
	460	26	46½	–	30	40	–
Glaxo (*911)	900	57½	92½	114	38	48½	58½
	950	34	67½	92½	66	73½	82
Hawker Sidd. (*754)	750	13	27½	–	26½	30½	–
	800	3	8½	–	–	–	–
Hillsdown (*153)	140	19	24½	25½	3½	7½	10
	160	6½	11½	15	10	16	18½
Lonrho (*176)	160	19	26	29	10	13½	17½
	180	9½	16½	20	20	25	28

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Midland Bk (*208)	200	19	30	32½	8½	11	15½
	220	11	19½	23	18	22	25
National Power (*134)	130	7	11½	13½	5½	7	11
	140	3	7	9	11½	13	17½
Reuters (*1046)	1000	78½	113	135	24½	41½	48½
	1050	46½	85	106	46½	60	70
R. Royce (*132)	130	7¼	10	13	8	11	12
	140	3¼	6	9	15	17	18
Scottish Power (*105)	100	5	10	11	4½	6	8½
	110	2¼	5	7	9½	11½	14½
Sears (*96)	90	9½	12½	13½	2¼	6	7
	100	4½	6½	9	7	10½	12½
Forte (*230)	220	18½	23½	26½	4	9½	12½
	240	7½	12½	16½	13½	19½	22½
Thorn EMI (*769)	750	14½	69½	73½	13	20	33½
	800	18	41	46½	38½	44½	53½
TSB (*117)	110	9	12	15	4	6	7
	120	4	7½	9	9	11½	12½
Vaal Reefs (*569)	60	10	13½	13¼	1¼	3	4½
	70	3¼	7¼	9	5½	8	10
Wellcome (*1034)	1000	81½	118	147	31½	46½	53½
	1050	53½	91½	119	53½	68½	73½

EURO FT-SE INDEX (*2477)

	2325	2375	2425	2475	2525	2575	2625	2675
CALLS								
Jan	154	110	70½	38½	19½	7½	3½	2
Feb	178	139	100	68½	43	26½	14	6½
Mar	202	–	128	–	72½	–	35½	–
Jun	255	–	185	–	127	–	85	–
Sep	290	–	220	–	170	–	120	–
Dec	320	–	260	–	200	–	150	–
PUTS								
Jan	6½	10	21½	39½	70½	108	152	202
Feb	19	26½	39	59½	82½	114	152	192
Mar	29½	–	55½	–	95½	–	155	–
Jun	53½	–	83½	–	122	–	165	–
Sep	70	–	90	–	130	–	165	–
Dec	80	–	100	–	139	–	180	–

FT-SE EUROTRACK 100 INDEX (*1185)

	1000	1025	1050	1075	1100	1125	1150	1175
CALLS								
Mar	–	–	69	49	35	19	7½	3½
Jun	134	114	95	75	55	–	–	–
PUTS								
Mar	–	–	7	12	17½	31	50	70
Jun	7½	8½	15	18½	23½	–	–	–

FT-SE INDEX (*2477)

	2300	2350	2400	2450	2500	2550	2600	2650
CALLS								
Jan	180	134	91½	55	28½	14½	7	3½
Feb	202	159	122	89½	60½	37½	23	14
Mar	225	185	148	115	85½	64	45½	32
Apr	244	207	170	140	112	85½	64½	47½
Jun	274	–	200	–	139	–	96½	–
Dec †	340	–	265	–	215	–	165	–
PUTS								
Jan	7	11	17½	34½	60	96½	142	189
Feb	17½	28	39½	57	79	111	148	194
Mar	29½	38½	53½	72	94	123	157	197
Apr	37½	49½	64½	80½	103	132	165	202
Jun	52½	–	80	–	121	–	180	–
Dec †	75	–	110	–	150	–	200	–

January 10 Total Contracts 24,636
Calls 13,933 Puts 10,703
FT-SE Index Calls 2,304 Puts 2,548
Euro FT-SE Calls 458 Puts 441
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry mths
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

INDUSTRIALS	p	Charter Cons.	42	Ladbroke	19	Sears	8½	**OILS**	
Allied-Lyons	50	Comm Union	34	Legal & Gen	30	SmKl Bchm A	70	Aviva Pet	1½
Amstrad	4	Courtaulds	40	Lex Service	16	TI	41	BP	30
Astec (BSR)	5	Eurotunnel	40	Lloyds Bank	24	TSB	9	Burmah Castrol	38
BAT Inds	48	FKI	5	Lonhro	18	Tesco	15½	Conroy Pet	4
BOC	48	FNFC	5	Lucas Inds	11	Thorn EMI	59½	Gaelic Res	½
BTR	33	Forte	20	Marks Spencer	22	T & N	10½	Premier Cons	4
Barclays	24	GKN	24	Midland Bank	17	Unilever	78	Shell	41
Blue Circle	18	Gen Accident	37	NatWest Bank	21	Vickers	13½	Tuskar Res	1½
Boots	33	GEC	15	P & O Dfd	35	Wellcome	80	**MINES**	
Bowater	54	Glaxo	64	Racal Elect	4½	**PROPERTY**		RTZ	38
Brit Aerospace	18	Grand Met	70	RHM	20	Brit Land	20½		
British Steel	5	GRE	11	Rank Org	47	Land Sec.	36		
Brit Telecom	25	Hanson	15	Ratners	6	MEPC	33		
Cadburys	34	ICI	88	Reed Intl	42	Mountleigh	3		

Bull weighs up IBM, H-P offers for partnership

By William Dawkins in Paris

GROUPE Bull, the loss-making French computer maker, is in the final stage of choosing between rival offers from IBM and Hewlett-Packard (H-P), the US computer companies, for a technology and equity investment partnership.

Both potential partners have laid their offers before Bull's management and the government controlled computer company is now reflecting which one it should propose for acceptance to the state.

The main ministries involved – finance and industry – will meet next week to weigh up the offers. As a mark of the great strategic importance of the choice, the final decision is to be made Mrs Edith Cresson, the prime minister, with President François Mitterrand, say observers close to the negotiations.

The government wants to promote Bull as an independent partner of both the world's main technology powers, the US and Japan, reminiscent of the Gaullist view of how France should balance its defence and foreign policy between and independently of the superpowers, officials said.

NEC, the Japanese electronics group last year took a 4.7 per cent stake in Bull and the US partner is likely to take a stake of the same order or slightly more.

This is the second phase of the reorganisation of the state's high technology industries, following the plans for a merger of Thomson's civil electronics businesses with CEA Industry, a nuclear fuel and reactor making group, unveiled last month.

Bull, which lost a record FFr6.8bn ($1.3bn) in 1990 and is likely to record a smaller deficit for 1991, has been seeking a partner since the end of last year to gain better access to so-called reduced instruction set computing ' technology, which allows microprocessors to execute instructions faster.

Bull also needs capital, since its access to state cash is being hampered by the European Commission's inquiry into FFr4bn worth of government capital injections, while France Télécom, the state-owned telecommunications operator, has also refused to increase its 17 per cent stake in Bull.

Mr Pierre Barazer, chairman of IBM France, presented his group's case to the government two weeks ago, followed early this week by Mr John Young, chairman of H-P. An alliance with Bull, the world's tenth computer maker, would help both US companies enlarge European market share for their latest technologies.

Borden to axe 1,300 jobs

By Nikki Tait in New York

BORDEN, the packaging, adhesives and foods group, yesterday announced plans to cut around 1,300 jobs as part of a corporate reorganisation designed to pare costs. This will result in the fourth quarter charge of around $70m before tax.

Borden said that, after the provision, it expected 1991 after-tax earnings to stand at around $295m or $2 a share.

The main impact of the reorganisation will come in Borden's US dairy, food services and Pacific Rim businesses, the company said. At end-1991, according to Borden, there were some 15,000 salaried employees among a worldwide total of 44,000.

Borden's brands range from Creamette pastas to Bravos chips and from Eagle Brand ice-cream to Elmer's glues and wood-fillers.

It began a major plant modernisation programme in 1989, but efficiencies have been slow to show through, and there has been competitive pressure in certain product areas – such as snack foods.

Oce expects profit of Fl 101m

DUTCH photocopier maker Oce Van der Grinten expects 1991 net profits of about Fl 101m ($32.5m), compared with Fl 85.7m in 1990.

Turnover last year rose 11 per cent to Fl 2.6bn, according to chairman Mr Harry Pennings, Reuter reports from Venlo.

Previously, the company had said that it saw higher profits and turnover for 1991, but it had not specified any of the figures.

Mr Pennings said that both Oce's drawing room and office equipment divisions contributed to the profit rise last year, while cost cutting improved efficiency.

The same factors made Oce positive about its 1992 results, Mr Pennings added.

Oce will publish its full 1991 results on February 18.

Olympia & York defers Moscow hotel plan

By Bernard Simon in Toronto

OLYMPIA & York, the real estate developer owned by Toronto's Reichmann family, has shelved plans to build a 60-storey office and hotel complex in central Moscow.

The decision is in keeping with a more cautious approach by O&Y in the past year or two. The Reichmanns made their name in the 1970s and early 1980s by buying when many others were selling, but they now have their hands full with a heavy commitment to Canary Wharf in London and the severe downturn in the North American real estate market.

O&Y said the Moscow development was being deferred "until the political and economic environment is more predictable." The company said it remained confident that a strong market still existed for North American-style office and residential development.

The building, with a projected cost of C$250m (US$219.2m), would have been the tallest in Moscow.

O&Y said, however, that it was pressing ahead with a 450,000 sq ft head office building for the Hungarian Credit Bank (HCB) in Budapest. It has called for tenders for the C$100m project, which will include an underground parking garage, a rarity in eastern Europe. The building will also serve as O&Y's eastern Europe headquarters.

HCB will have a 50 per cent stake in the 12-storey complex, which will be located on a central square opposite the National Bank of Hungary. The rest of the equity will be shared between O&Y and First Hungary Fund, a North American venture-capital partnership.

With the exception of three small projects in Canada, O&Y has not built in North America since 1985. It has put off redeveloping a building on Park Avenue in New York until it finds a substantial tenant and is expected to wait several years before exercising a right to build the first of three office buildings for the Yerba Buena project in San Francisco.

The Reichmanns are also actively looking for equity partners in their projects. According to Mr John Zuccotti, president of Olympia & York USA, "We're talking to people who are not heavily into real estate and are keen on getting in."

Mr Li Kashing, the Hong Kong magnate, agreed last autumn to help refinance an O&Y building in New York's financial district in exchange for a 49 per cent equity stake in the project.

Mercedes signs production deal with Liaz

By Andrew Fisher in Frankfurt

MERCEDES-Benz, the vehicle subsidiary of Daimler-Benz, yesterday continued the wave of German investment in Czechoslovakia, announcing its second truck production deal in a week.

The German company yesterday signed a letter of intent in Prague with Liaz, the Czech heavy truck manufacturer, on future co-operation. This follows the deal signed on Monday between Mercedes and Avia covering light truck production.

Mercedes, the market leader in Europe and the world's biggest maker of trucks above six tonnes, said it will form a production network with the two Czech companies to make vans and trucks. Its total investment in the venture will be around DM350m ($233.3m) over five years.

Czech officials said Mercedes would have 31 per cent of the three-way venture, Avia 49 per cent and Liaz 20 per cent. No figure was given for the cost of Mercedes' stake. Avia and Liaz will contribute land and production equipment to the project.

The Mercedes deal is further proof of the success enjoyed by German companies in forging new investment links with Czechoslovakia. Volkswagen, the motor manufacturer, is involved with the Skoda car concern, while Siemens is taking control of both the energy and transport divisions of Skoda, Pilsen.

Mercedes was not the only company interested in Avia and Liaz. Renault of France also held talks over Avia, while Iveco (the truck subsidiary of Italy's Fiat) and Volvo of Sweden were interested in Liaz.

The Mercedes venture is still subject to Czechoslovak government approval. Mr Jan Vrba, the Czech regional industry minister has criticised the deal, his objections reportedly centred on tax and trade concessions requested by Mercedes.

The sites involved in the venture are Letnany, the Prague suburb where Avia's most profitable plant is located and Jablonec, where Liaz has its main plant employing nearly 2,000 people.

Mr Horst Zimmer, a director of Mercedes-Benz, said the partners in the venture wanted to capitalise on the opportunities offered by the east European market and raise the value of production in Czechoslovakia as quickly as possible.

The truck models to be produced at the sites will range from vans and light trucks to medium-sized vehicles and trucks over 10 tonnes.

Car investment to exceed DM6bn this year

Kevin Done on the company's plans for expansion as it faces growing cost competition

Mercedes-Benz, the car and commercial vehicle subsidiary of Daimler-Benz of Germany, is planning to assemble cars in Mexico from mid-1993.

The company will also begin production at its new DM1.4bn ($933m) assembly plant at Rastatt, Germany in March with the aim of increasing total car production capacity to around 620,000 by the mid-1990s. Sales peaked in 1986 at 597,000.

Mr Jürgen Hubbert, head of the Mercedes-Benz car division, said investment in the car operations would rise to more than DM6bn this year from DM5.3bn in 1991, of which some DM4bn would be capital investment and DM2bn would be spent on research and development for new products.

The company is planning to launch a new generation 190 range, its smallest car, in 1993, followed by the renewal of the mid-range 200/300 series at the end of 1994.

Last year it launched its new top-of-the-range S-Class luxury car and this week unveiled the S-Class coupe in Detroit, the first time a major product line for world markets has been unveiled in the US.

Output of the coupe is planned to reach 6,000 to 8,000 a year, while S-Class saloon production should reach full capacity of 370 a day or 80,000 a year with full order books for the next 12 months.

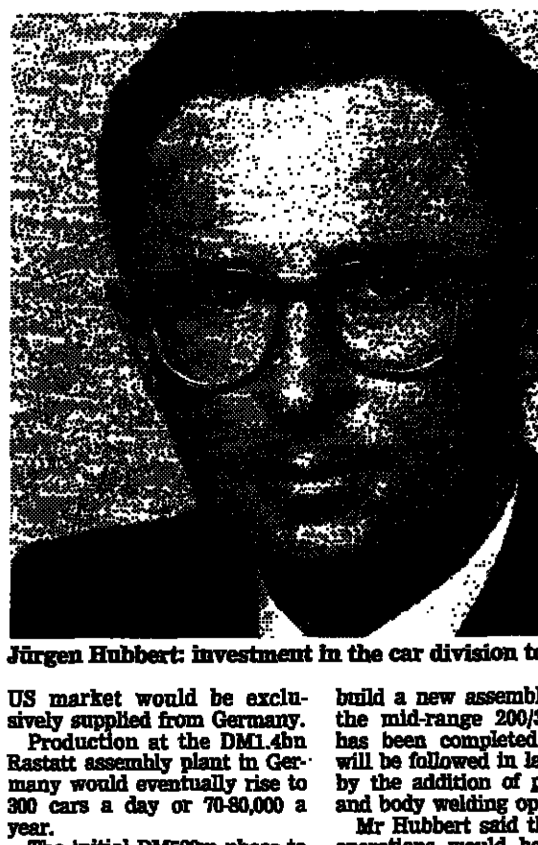
Mr Hubbert acknowledged that Mercedes-Benz was facing increasingly stiff cost competition, chiefly from Japanese car makers such as Toyota and Nissan with their Lexus and Infiniti luxury car ranges.

He said that the Mercedes-Benz car division was intensifying its cost-cutting campaign with the aim of reducing its 1991/92 cost base by DM4bn by the mid-1990s. He said the company's costs had to be reduced by 20-30 per cent to become competitive with its Japanese rivals.

Mr Hubbert said the car operations in future would adhere only "in principle" to the concept "made in Germany". The company was "quite open on all questions of production location."

Mercedes-Benz cars are already assembled in South Africa, Indonesia and Thailand and small volume assembly will begin in Mexico next year.

Mr Hubbert said it was planned to produce 500-1,000 a year of its mid-range 200-300 series cars in Mexico with an investment of DM20m. Cars could be exported to South America from Mexico, but the US market would be exclusively supplied from Germany.



Jürgen Hubbert: investment in the car division to increase

Production at the DM1.4bn Rastatt assembly plant in Germany would eventually rise to 300 cars a day or 70-80,000 a year.

The initial DM500m phase to build a new assembly line for the mid-range 200/300 series has been completed and this will be followed in later stages by the addition of paint shop and body welding operations.

Mr Hubbert said the Rastatt operations would be a model for the extensive modernisation of Mercedes-Benz's other plants with a new type of work organisation including flexible production stations.

Mercedes-Benz car sales worldwide fell slightly last year to 558,000 from 561,901 in 1990, with big falls in the US and in the UK compensated by increases in Germany and Italy.

Mr Hubbert added the company was aiming to achieve sales of some 560,000 in 1992.

Sales in Germany rose by 7 per cent to 271,000, accounting for 48.5 per cent of total Mercedes-Benz sales, while its foreign sales declined by 7 per cent to 287,000.

Mercedes-Benz car sales in the US, its most important foreign market, dropped by 24.9 per cent to 58,868 last year from 78,375 in 1990 and a peak of just under 100,000 in 1986. The company blamed half of last year's fall on the luxury tax introduced at the beginning of 1991.

The turnover of the Mercedes-Benz division rose by 18.7 per cent last year to DM68bn from DM59.8bn a year earlier. Turnover of the car operations rose to DM40bn from DM35.5bn, while commercial vehicles turnover rose to DM28bn from DM24.3bn.

CNL in Spanish bank deal

By Peter Bruce in Madrid

CORPORACION Nacional de Leasing, the Spanish investment company controlled by the Barcelona financier, Mr Javier de la Rosa, has paid around $30m for a 10 per cent stake in one of Spain's most profitable regional banks, the Banco de Ibiza.

The CNL purchase marks another step in Mr de la Rosa's evolution as one of Spain's most powerful individual investors. Until recently, Mr de la Rosa was best known as the Spanish partner of the Kuwait Investment Office (KIO). Under his guidance, the Kuwaitis built up one of the biggest private sector industrial and food groups in Spain.

In the past two years, however, he has begun to expand his business empire, while retaining a key stake in KIO's Spanish operations.

He bid for, and won, 30 per cent of CNL on the stock market last year, before selling the bank's leasing portfolio to a domestic bank. Earlier this week he announced he intended to merge CNL with his other investment vehicle, Tibidabo.

Banco de Ibiza owns half, along with the Instituto San Paolo de Torino of Italy, of a Catalan bank, Banca Catala.

Banco de Ibiza reported first-half pre-tax profits of Pta801m ($8.1m) last year.

France appoints Alain Prestat as TCE chairman

THE French government yesterday increased its influence at Thomson Consumer Electronics (TCE), the state-owned maker of audio and video products, by sending in a senior adviser of the prime minister as its chairman, writes William Dawkins.

He is Mr Alain Prestat, 40, deputy chief of staff for Mrs Edith Cresson, who was nominated as TCE's chairman after Mr Bernard Isautier resigned. The change was expected, following the plans to merge the loss-making TCE with CEA Industry, a profitable state-owned nuclear fuel group.

BHF buys Czech bank stake

By David Waller in Frankfurt

BERLIN Handels-und Frankfurter Bank, the Frankfurt-based merchant bank, is spending Kcs1.4bn ($50m) to buy a 40 per cent stake in Zivnovstenska Bank, Czechoslovakia's oldest bank.

This is the first time a Czech bank has been privatised with the help of foreign capital. A further 12 per cent stake is being sold to International Finance Corporation, a subsidiary of the Washington-based World Bank and the remaining 48 per cent of the shares in the bank will be offered to the general public, probably by early summer.

Zivnovstenska, founded in 1868, has two branches outside Prague – one in the Czech city of Brünn and another in London. The bank has 450 employees and at the end of last year its balance sheet total amounted to Kcs18bn.

BHF – already active in Czechslovakia as an adviser on privatisations and provider of project finance – said with its help Zivnovstenska would be able to develop a full range of merchant banking services, including trade finance and operations in Czechoslovakia's as yet undeveloped securities and money markets.

BHF said the investment was a sign of its confidence in the development of the Czech economy.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1991/92	Low 1991/92
Gold per troy oz.	$357.75	+5.60	$391.15	$403.25	$345.25
Silver Per troy oz	229.25	+14.7	217.85p	280.55p	183.35p
Aluminium 99.7% (cash)	$1137.0	+30.0	$1523.5	$1570	$1082.5
Copper Grade A (cash)	£1176.00	+25.5	£1310.5	£1472	£1147.0
Lead(cash)	£290.00	+1.5	£317.0	£382.5	£282.75
Nickel (cash)	$7320.0	+142.5	$8787.5	$9237.5	$7090.0
Zinc SHG (cash)	$1136.50	-8.5	$1259.5	$1430	$990.25
Tin (cash)	$5481.0	-36.5	$5850	$5915	$5452.5
Cocoa Futures (May)	£780	+2	£713	£829	£598
Coffee Futures (Mar)	£568	-41	£683	£619	£487
Sugar (LDP Raw)	$216.2	-11.8	$222.4	$293	$194
Barley Futures (Mar)	£120.7	-2.0	£114.6	£122.95	£107.75
Wheat Futures (Mar)	£127.50	-1.85	£124.95	£141.10	£111.80
Cotton Outlook A Index	60.10c	-0.70	82.85c	88.25c	60.10c
Wool (64s Super)	406p	-9	421p	421p	329p
Oil (Brent Blend)	$17.20x	-1.075	$26.05	$29.15	$16.75

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Feb.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.60-4.65q	+.125
Brent Blend (dated)	$17.35-7.45	+0.25
Brent Blend (Feb)	$17.15-7.25	+0.20
W.T.I. (1 pm est)	$18.20-8.25q	+.125
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$195-198	-0.5
Gas Oil	$162-163	+5
Heavy Fuel Oil	$58-60	-2.5
Naphtha	$177-180	+0.5
Petroleum Argus Estimates.		

Other		+ or -
Gold (per troy oz)♣	$357.75	+4.0
Silver (per troy oz)♣	412.0c	+10.0
Platinum (per troy oz)	$341.75	+3.50
Palladium (per troy oz)	$81.75	+0.35
Copper (US Producer)	98.10	-0.06
Lead (US Producer)	37.375c	
Tin (Kuala Lumpur market)	14.57r	
Tin (New York)	254.50c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.60p	+0.55*
Sheep (live weight)†♣	104.50p	*
Pigs (live weight)†	83.24p	+1.35*
London daily sugar (raw)	$216.2t	+0.2
London daily sugar (white)	$267.5t	+0.5
Tate and Lyle export price	£226.0	+2.5
Barley (English feed)	£124.0	
Maize (US No. 3 yellow)	£147.0	
Wheat (US Dark Northern)	£101	
Rubber (Feb)♥	49.75p	+0.50
Rubber (Mar)♥	50.00p	+0.50
Rubber (KL RSS No 1 Feb)	214.5m	
Coconut oil (Philippines)§	$780y	
Palm Oil (Malaysian)§	$385.0y	
Copra (Philippines)§	$500.0t	-5.0
Soyabeans (US)	£148.0	+3.5
Cotton "A" Index	60.10c	-0.60
Wooltops (64s Super)	408p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Feb t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)			
Raw	Close	Previous	High/Low
Mar	189.00	186.00	188.00 182.20
May	189.00	186.40	187.20 183.60
Aug	194.00	190.00	187.80 185.00
Dec	199.00	190.00	179.00 179.00
White	Close	Previous	High/Low
Mar	268.1	268.6	270.5 268.6
May	273.1	273.6	273.1 272.1
Aug	277.0	277.8	278.7 275.1
Oct	281.1	281.6	282.8 280.1
Mar	260.8	261.6	262.8 260.0
May	261.8	263.0	263.7 261.4

Turnover: Raw 180 (987) lots of 50 tonnes. White 969 (3758)
Paris- White (FFr per tonne): Mar 1468.80, May 1507.28

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low
Feb	17.27	16.86	17.27 16.86
Mar	17.13	16.80	17.14 16.78
Apr	16.94	16.81	16.98 16.90
May	16.97	16.66	17.02 16.92
Jun	16.99	16.75	17.07 16.97
Jul	17.01	16.75	17.01
IPE Index	16.85	17.51	

Turnover 12000 (34742)

GAS OIL – IPE ($/tonne)	Close	Previous	High/Low
Jan	155.50	154.00	155.75 153.00
Feb	158.25	156.50	158.50 155.00
Mar	159.50	157.00	158.75 155.75
Apr	158.25	156.00	158.50 156.00
May	158.25	155.50	158.75 156.00
Jun	160.25	157.00	160.25 157.00
Jul	162.50	159.50	162.50 159.00
Aug	164.50	162.00	164.50 161.50
Sep	166.50	164.50	166.50 164.00

Turnover 18229 (25167) lots of 100 tonnes

SPICES
Pepper started the new year with no improvement in the recent levels of activity, reports Man-producten. There are hardly any developments in pepper producing areas which might change this pattern. White pepper prices slowly declined by lack of demand to a level of about US$1,375 a tonne c&f. On the contrary, black pepper prices were slightly steadier on increasing demand and less selling pressure.

COCOA – London FOX (£/tonne)	Close	Previous	High/Low
Mar	733	713	733 715
May	760	738	760 742
Jul	786	763	786 769
Sep	808	786	809 793
Dec	844	823	844 829
Mar	874	853	872 860
May	892	870	889 878
Jul	909	891	907 907

Turnover: 11363 (8284) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan.9 884.06 (897.53) 10 day average for Jan.10 929.38 (969.31)

COFFEE – London FOX ($/tonne)	Close	Previous	High/Low
Jan	1020	1038	1040 1025
Mar	1005	1009	1018 995
May	997	1005	1010 992
Jul	1007	1021	1023 1009
Sep	1025	1036	1032 1028
Jan	1060		1058 1059

Turnover:1868 (1265) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan.9: Comp. daily 63.02 (62.62) 15 day average 64.97 (61.95)
Sterling close: January £576 , March £596

POTATOES – London FOX (£/tonne)	Close	Previous	High/Low
Apr	122.8	121.5	122.5 121.5
May	142.5	139.5	140.0

Turnover 64 (28) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)	Close	Previous	High/Low
Feb	125.00		

Turnover (3) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)	Close	Previous	High/Low
Jan	1545	1542	1555 1540
Feb	1576	1570	1580 1580
Mar	1585	1584	1589 1580
Apr	1603	1596	1605 1590
Jul	1395		1380 1380
BFI	1490	1484	

Turnover 274 (337)

GRAINS – London FOX (£/tonne)	Close	Previous	High/Low
Wheat	Close	Previous	High/Low
Jan	124.75	125.40	125.00
Mar	127.50	128.25	128.10 127.45
May	131.05	131.75	131.40 131.00
Barley	Close	Previous	High/Low
Jan	118.65		118.80 118.55
Mar	120.70	121.40	121.30 120.70
May	122.75	123.40	123.10 122.80

Turnover: Wheat 310 (344), Barley 188 (25). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg	Close	Previous	High/Low
Jan	109.0	109.0	109.5 108.7
Feb	110.0	110.0	110.5 110.0
Mar	110.0	112.0	110.5 110.0
Apr	110.5	112.0	110.5
May	112.0		111.0
Jun	112.0		111.0

Turnover:40 (48)lots of 3,250 kg

INDEX – London FOX	Close	Prev.	High	Low	Vol
Indx	129.42	129.89			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 28,550 lots
Cash	1136.5-7.0	1130-1		1127-8		
3 months	1107.5-8.5	1153-4	1158/1143	1150-1	1157-8	121,201 lots
Copper, Grade A (£ per tonne)						Total daily turnover 26,190 lots
Cash	1175-7	1154.5-5.5	1180/1166	1166-6.5		
3 months	1203.5-4.0	1182-2.5	1210/1184	1195-5.5	1209.5-10.0	108,527 lots
Lead (£ per tonne)						Total daily turnover 3,112 lots
Cash	289.5-90.5	285-6		287-8		
3 months	301-2	296.5-6.75	304/298	299-300	303-4	16,164 lots
Nickel ($ per tonne)						Total daily turnover 3,703 lots
Cash	7315-25	7305-15	7340	7340-5		
3 months	7380-5	7370-5	7420/7380	7395-400	7380-5	20,140 lots
Tin ($ per tonne)						Total daily turnover 1,034 lots
Cash	5480-2	5475-85		5480-90		
3 months	5535-8	5530-5	5536/5525	5530-5	5525-30	4,804 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,196 lots
Cash	1136-7	1148-50	1133/1130	1131.5-2.5		
3 months	1107.5-8.5	1111-2	1113/1106	1106-7	1112-2.5	41,406 lots

LME Closing £/$ rate:
SPOT: 1.7930 | 3 months: 1.7725 | 6 months: 1.7448 | 9 months: 1.7204

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	357.50-358.00	
Opening	356.70-357.10	
Morning fix	358.65	195.962
Afternoon fix	357.90	197.789
Day's high	358.10-359.40	
Day's low	358.40-358.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.21	6 months	3.11
2 months	3.15	12 months	3.11
3 months	3.13		

Silver fix	p/fine oz	US cts equiv
Spot	227.80	413.90
3 months	233.55	417.50
6 months	239.35	421.35
12 months	250.70	429.55

GOLD COINS (Prices supplied by Engelhard Metals)	$ price	£ equivalent
Krugerrand	358.00-359.00	197.75-198.25
Maple leaf	369.00-370.00	204.50-205.00
New Sovereign	87.25-88.25	48.25-48.75

TRADED OPTIONS

Coffee	Mar	Mar
500	7	1
550	28	12
600	8	42

Cocoa	Mar	May	Mar	May
700	44	76	11	16
725	28	60	20	25
750	18	46	35	36

Brent Crude	Feb	Mar	Feb	Mar
1700	26	66	17	
1750	4	46	40	105
1800	2	25		

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Jan	356.2	356.5	0	0
Feb	356.9	357.5	360.5	356.8
Mar	357.8	358.4	359.6	359.8
Apr	358.9	359.4	362.8	358.7
Jun	361.0	361.4	363.0	360.5
Aug	363.1	363.4	364.5	363.0
Oct	365.2	365.4	0	0
Dec	367.4	367.5	368.4	367.7
Feb	369.6	369.8	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jan	340.1	339.5	341.5	341.5
Apr	340.1	340.0	344.0	339.5
Jul	341.6	341.5	345.5	342.5
Oct	346.9	346.8	348.5	347.5
Jan	348.1	348.0	350.0	350.0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Jan	408.1	412.9	409.5	407.0
Feb	409.1	413.9	415.5	415.0
Mar	410.5	415.3	417.0	409.0
May	413.8	418.7	421.0	412.0
Jul	417.2	422.0	424.0	416.0
Sep	420.6	425.2	421.0	420.0
Dec	425.9	430.4	431.5	424.5
Jan	427.8	432.3	0	0
Mar	431.5	435.9	432.0	432.0
May	435.6	440.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Jan	94.20	93.65	95.00	94.15
Feb	94.55	94.00	95.20	94.65
Mar	95.05	94.35	95.70	94.70
Apr	95.20	94.50	95.20	95.20
May	95.35	94.65	95.90	95.05
Jun	95.55	94.85	95.60	95.50
Jul	95.75	95.05	96.15	95.20
Aug	95.90	95.20	0	0
Sep	96.00	95.30	96.30	95.60
Oct	96.10	95.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Feb	18.16	17.98	18.25	17.90
Mar	18.25	17.92	18.34	18.02
Apr	18.35	18.07	18.43	18.15
May	18.42	18.18	18.50	18.24
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Feb	5080	4986	5080	4980
Mar	5170	5081	5190	5100
Apr	5120	5058	5140	5070
May	5070	5005	5070	5020
Jun	5040	4975	5040	4990
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jan.10	Jan.9	mnth ago	yr ago
[illegible]	[illegible]	[illegible]	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)	Jan.9	Jan.8	mnth ago	yr ago
Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Latest	Previous	High/Low	
Jan	581/0	583/6	586/0	581/0
Mar	584/4	586/4	589/0	583/4
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb	Latest	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton	Latest	Previous	High/Low	
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel	Latest	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel	Latest	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rise no help to sterling

The dollar surged on the foreign exchange markets yesterday, but this did little to ease the pressure on sterling, which remained pinned close to its floor within the European exchange rate mechanism, *writes Simon London.*

The dollar retreated slightly overnight in the Far East following a substantial surge in New York on Thursday which took the US currency to a close of DM1.5605 and Y125.82. By the close in Tokyo the dollar stood slightly lower against the D-Mark at DM1.5593 and little changed against the yen.

However, once European trading resumed, the US currency continued on an upward path. Further impetus was added by the release of unexpectedly strong US labour market statistics.

The figures showed an increase in non-farm employment of 31,000 during December. Analysts had predicted a decline in employment of between 50,000 and 100,000.

The data was interpreted as a sign that the US economy may not be entering a second recessionary phase and decreasing the chances of another early cut in US interest rates. Fear of lower interest rates has been overhanging the dollar this week.

The US currency rose through the afternoon session to close at DM1.5825, Y127.00 and £1.7940, near its highs against all three currencies.

The US currency also benefitted from negative sentiment surrounding the German economy, which tended to drive funds out of the D-Mark.

Analysts pointed to concern surrounding the outcome of wage negotiations between the employers and the large metal workers union, which has been pressing for a pay increase substantially ahead of inflation.

The strength of the Spanish currency against the D-Mark raised sterling effective "floor" within the European exchange rate mechanism to around DM2.8330 during the day, although by the close the lower permitted limit had fallen back to DM2.8310, similar to Thursday's level.

The UK currency responed with a firmer tone in the morning session, for a time sustaining a position above DM2.84.

However, during the afternoon sterling fell back, several times falling to its lower limit against the D-Mark before a late rally once continental European markets had closed saw sterling rise to close at DM2.84.

That a surge in the dollar did not help sterling surprised many analysts. However, some suggested that a poor US emplyment figure and a subsequent weakening in the dollar could have hurt sterling. The UK currency may be in the difficult position of being dollar-linked when the dollar is falling, but not when the US currency is rising.

Elsewhere, the Australian dollar continued to loose ground following Wednesday's 1 percentage point cut in interest rates to 7.5 per cent. By the close in London, the Australian dollar stood at $0.7365, just off its low of $0.7340 and from $0.7345 on Thursday.

£ IN NEW YORK

Jan 10	Latest	Previous Close
£ Spot	1.7860-1.7870	1.8155-1.8165
1 month	1.02-1.00pm	1.02-1.01pm
3 months	2.89-2.86pm	2.93-2.91pm
12 months	10.25-10.15p	10.55-10.45p

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.680	-2.96	6.10	51
Belgian Franc	42.4032	41.9451	-1.08	4.09	43
Dutch Guilder	2.31643	2.29387	-0.97	3.98	38
D-Mark	2.05586	2.03676	-0.93	3.93	46
Irish Punt	0.767417	0.765228	-0.29	3.26	4
Italian Lira	1538.24	1538.54	0.02	2.95	-11
French Franc	6.89509	6.95200	0.83	2.12	-56
Danish Krone	7.84195	7.91044	0.87	2.08	-49
Sterling	0.696904	0.717582	2.97	0.00	-58

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jan 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7935 - 1.8290	1.7935 - 1.7945	1.00-0.98cpm	6.62	2.89-2.86pm	6.41
Canada	2.0675 - 2.1040	2.0770 - 2.0780	0.59-0.54cpm	3.26	1.82-1.74pm	3.43
Netherlands	3.1925 - 3.2025	3.1925 - 3.2025	¾-½cpm	0.94	⅞-⅝pm	0.94
Belgium	57.30 - 58.65	57.90 - 58.00	7-2cpm	0.93	20-14pm	1.17
Denmark	10.9970 - 11.0495	10.9975 - 11.0075	⅝-⅛orepm	0.61	2¼-1⅝pm	0.66
Ireland	1.0575 - 1.0690	1.0676 - 1.0685	0.01pm-0.04pdis	-0.17	0.01-0.11dis	-0.22
Germany	2.8325 - 2.8425	2.8375 - 2.8425	⅜-¼pfpm	1.32	⅞-¾pm	1.14

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7940	1.7841	1.7653	1.7383	1.6920

ECU BOND (MATIF)

March	109.28	109.06	-0.18	109.38	109.00	8.59	6,339

Estimated volume 4,597 Total Open Interest 6,339

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	3.04	3.95	-	0.06	-	-
107	2.10	-	-	0.17	0.30	-
108	1.31	-	-	0.36	0.52	-
109	0.70	1.68	-	0.75	-	-
Open Int	126,336	17,938	450	92,771	13,542	250

Estimated volume 23,125 Total Open Interest 251,287

BANK RETURN

BANKING DEPARTMENT	Wednesday January 8 1992	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	*101,280,181*	+ 784,585
Bankers Deposits	1,691,969,208	+ 83,676,402
Reserve and other Accounts	3,314,637,591	- 103,428,316
	5,122,439,960	- 18,967,329
ASSETS		
Government Securities	1,380,096,528	- 136,375,000
Advance and other Accounts	2,230,820,714	+ 388,600,276
Premises Equipment & other Secs	1,504,628,847	- 273,745,319
Notes	6,633,136	+ 2,591,203
Coin	260,935	- 38,489
	5,122,439,960	- 18,967,329
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	16,113,366,864	- 1,042,591,203
Notes in Banking Department	6,633,136	+ 2,591,203
	16,120,000,000	- 1,040,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	9,832,691,136	- 2,077,574,120
Other Securities	6,276,293,764	+ 1,037,574,120
	16,120,000,000	- 1,040,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs	11	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates stay soft

The Bank of England again moved early to cap any potential pressure for higher UK money market interest rates yesterday, in the face of a substantial liquidity shortage and sterling's continued weakness on the foreign exchange markets, *writes Simon London.*

The bank forecast a £1.8bn liquidity shortage in early morning, later revised up to £2bn. The main factor squeezing liquidity was the expiry of existing repurchase agreements totalling nearly £900m.

However, following the pattern set on Thursday, the Bank of England relieved almost all of the shortage with early assistance. The Bank injected £1.78bn in total, purchasing £1.312bn paper outright. This comprised purchases of band 1 and band 2 bank bills, both at 10⅜ per cent.

In addition, the bank purchased £468m for resale to the market at 10½ per cent in equal amounts on January 27 and 28.

This early round of assistance immediately took the steam out of pressure for higher rates. The unsecured overnight money rate fell to below 9 per cent in the morning session, from 10 - 9¾ per cent on Thursday, and the Bank did not inject additional liquidity in late morning.

In the afternoon session the Bank injected a further £50m by purchasing band 1 bank bills at 10⅜ per cent. Late assistance of £35m bought the total liquidity injection for the day at £1.865bn or £135m below the forecast funds shortage for the day.

By the close, overnight money was trading at 10⅝ - ½ per cent; one-month interbank money at 10⅝ - ⅜ per cent; and three-month interbank money at 10⅜ - ¼ per cent, the same level as Thursday.

The March short sterling futures contract on the London *International Financial* Futures Exchange traded up to 89.54 during the day but fell back to close at 89.46, 5 points lower than the close on Thursday. This level implies base lending rates of 10.54 per cent by the spring, compared to a current level of 10.5 per cent.

In Frankfurt, call money was steady at 9.40/50 per cent, unchanged from Thursday, despite the strong rally in bond yields at the longer maturities. Bond yields fell and the D-Mark weakened on the foreign exchange markets on expectations that German interests may fall sooner than expected.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.10) 3 months US dollars		6 months US Dollars	
bid 3⅞	offer 4⅛	bid 3⅞	offer 4⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Treasury Bills and Bonds

Lunchtime					
Prime rate	6½	One month	3.98	Three year	5.19
Broker loan rate	6	Two month	3.65	Four year	-
Fed.funds	3⅞	Three month	3.93	Five year	6.10
Fed.funds at intervention	-	Six month	4.02	Seven year	6.53
		One year	4.02	10-year	6.83
		Two year	4.86	30-year	7.47

Jan.10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.45-9.55	9.40-9.50	9.40-9.50	9.40-9.50	9.35-9.45	9.75
Paris	9⅞-10	9⅞-10	9⅞-10	9¾-9⅞	9⅞-9⅞	9.60
Zurich	6⅞-7⅛	7⅝-7⅞	-	7⅝-7⅞	-	-
Amsterdam	10.06-.18	9.75-9.90	-	9.65-9.80	-	-
Tokyo	5⅞-5½	5⅞-5⅜	-	5⅜-5⅝	-	-
Milan	12⅛-12⅜	12⅛-12⅜	-	12-12⅜	-	-
Brussels	9.31-9.43	9⅞-9⅞	-	9⅞-9⅞	-	-
Dublin	10⅞-10⅞	10⅞-10⅞	10½-10⅝	10⅞-10⅞	10⅜-10⅜	-

LONDON MONEY RATES

Jan 10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12	10⅜	10⅜	10⅞	10⅞	10⅞
Interbank Bid	5	9⅞	10⅜	10⅜	10⅜	10⅜
Sterling CDs	-	-	10½	10½	10½	10¼
Local Authority Deps.	10	10¼	10½	10½	10½	10½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11	10¼	-	-	-	-
Company Deposits	-	-	10⅝	10⅝	10⅝	10⅝
Finance House Deposits	-	-	10⅞	10⅜	10⅞	10⅜
Treasury Bills (Buy)	-	-	10⅜	10¼	9⅞	-
Bank Bills (Buy)	-	-	10⅜	10⅜	10	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.08	4.08	4.10	4.27
SDR Linked Dep. Offer	-	-	7	6⅞	6⅞	6⅞
SDR Linked Dep. Bid	-	-	6⅞	6⅝	6⅝	6⅞
ECU Linked Dep. Offer	-	-	10⅜	10⅜	10⅜	10⅜
ECU Linked Dep. Bid	-	-	10¼	10¼	10⅜	9⅞

Treasury Bills (sell); one-month 10⅜ per cent; three months 10 per cent; six months 9⅞ per cent; Bank Bills (sell): one-month 10¼ per cent; three months 10⅜ per cent; Treasury Bills; Average tender rate of discount 9.9712 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1991. Agreed rates for period Jan.25, 1991 to February 25, 1992, Scheme I: 11.80 p.c., Schemes II & III: 12.06 p.c. Reference rate for period Nov 30,1991 to December 31, 1991, Scheme IV&V: 10.812 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from January 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.7940	1.7841	1.7653	1.7383	1.6920
D-mark	2.8400	2.8372	2.8318	2.8236	2.8070
French Fr.	9.6875	9.6425	9.5355	9.2905	8.8995
Swiss Fr	2.5275	2.5217	2.5109	2.4953	2.4649
Yen	227.75	226.72	224.75	221.75	216.05

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 1913

Exchequer 10½% Stk 2005 – £108¾
Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) – £117¾ ⅞

Corporation and County Stocks
No. of bargains included 6

Greater London Council 6¾% Stk 90/92 – £98 ⅞
Croydon Corp 3½% Stk – £27
Manchester Corp 4% Cons Irrd Stk – £34 (6Ja92)
Newcastle-Upon-Tyne(City of) 11¾% Red Stk 2017 – £102 (8Ja92)
Reading Corp 3½% Stk 1978(or after) – £28

UK Public Boards
No. of bargains included 5

Agricultural Mortgage Corp PLC 5½% Deb Stk 93/95 – £85
6¼% Deb Stk 92/94 – £89½ (8Ja92)
7¼% Deb Stk 91/93 – £95¼
10¾% Deb Stk 92/95 – £98¼
Clyde Port Authority 4% Irrd Stk – £36
Metropolitan Water Metropolitan Water 3% A Stk 63/2003 – £54 ½ (8Ja92)
Port of London Authority 3% Port of London A Stk 29/99 – £62 (8Ja92)
3½% Stk 49/99 – £62 (6Ja92)
Scottish Agric Sec Corp 7¼% Deb Stk 90/92 – £98¼ (8Ja92)

Foreign Stocks, Bonds, etc–(coupons payable in London)

Thames Water Utilities Finance PLC 10½% Gtd Bds 2001 – £100% (7Ja92)
THORN EMI Capital NV 5¾% Gtd Red Cnv Prf 2004 (Br£5000) – £118%
Tokyo Electric Power Co Inc 11% Nts 2001 (Br £1000.10000 & 100000) – £104¾ (6Ja92)
Trafalgar House PLC 10¾% Bds 2006 – £89½ ¾ (6Ja92)
4% Bds 2001(Br) – $108¼ 107 108 108¼

Sterling Issues by Overseas Borrowers

Banks and Discount Companies

Breweries and Distilleries

Building Societies

Registered Housing Associations

Commercial, Industrial, etc

Electricity

Financial Trusts, Land, etc

Insurance

Investment Trusts

Mines - Miscellaneous

Mines - South African

Oil

Property

Plantations

Railways

Shipping

Utilities
No. of bargains included 11

Ameritech Corp Shs of Com Stk $1 – $65 (7Ja92)
CESC Ld Equity Rs10 – 33
7¾% Cum Prf Rs10 – 6
California Energy Co Inc Shs of Com Stk $0.0675 – $15.951♦ 6¾♦
FPL Group Inc Shs of Com Stk $0.01 – $36¾ (7Ja92)
GN Great Nordic Ld Shs DK100 – DK345.86 (3Ja92)
GTE Corporation Shs of Com Stk $0.05 – $33¾ (7Ja92)
Jersey Electricity Co Ld"A" Ord £1 – 750 (8Ja92)
Mersey Docks & Harbour Co 6¾% Red Deb Stk 96/99 – £79½ (8Ja92)
Pacific Gas & Electric Co Shs of Com Stk $5 – £16¾ (7Ja92)

Water

Miscellaneous Warrants

USM Appendix

Suspended Securities

Rule 535(2)

Shepherd Neame Ld"A" Ord £1 – £4.4
Southern Newspapers PLC Ord £1 – £2¾ (7Ja92)
Sun Oil Britain Ld Oil Royalty Stk Units 1p – £0.54 (3Ja92)
Transatlantic Hldgs PLC Ord 60p – £3.2 (8Ja92)
Cnv Cum Prf 60p – £3.7
Tyndall International(Jersey) Gilt Fund – £1.158♦
Yates Bros Wine Lodges PLC Ord 25p – £0.85 (3Ja92)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Bukit Sembawang S$5.618 (7/1)
City Developments 1.27♦ (6/1)
Community Psychiatric Centers $13.3♦ (7/1)
Dainippon Screen Mfg Y1085.94 (7/1)
Futuris Corp A$0.12 (8/1)
Harland (John H) Co $23.01♦23.72♦
Keystone International 27.387♦
Killinghall Tin (Malaysia) Berhad Ord M$1.4948 (6/1)
Kuala Sidim Rubber 18♦ (7/1)
Kulim Malaysia Ord 23 (3/1)
Malayan Cement M$3.8
National Electronics (Consolidated) 2 (6/1)
Oil Search A$0.756 (8/1)
Playmates Hldgs HK$3.992 (3/1)
Selangor Coconuts 20♦ (7/1)
Storer Communications $/C263 84
United Overseas Land S$1 708
Westralian Sands A$1.653

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Profit-taking as the account closes

By Terry Byland, UK Stock Market Editor

CURRENCY uncertainties continued to unsettle the UK equity market in a volatile session yesterday. The continued firmness in the US dollar failed to protect blue chip internationals from profit-taking as the equity market trading account came to its end.

Share prices were marked sharply higher at first but the early gain of 20 points on the Footsie had been converted into a 20 point loss by the close, when the downturn was intensified by selling in the stock index futures market.

The final reading showed the FT-SE Index at 2,477.9, a shade above the low of the day. The Index retained a gain of around 2.4 per cent over the two week account which has seen UK equities encouraged by Wall Street but concerned by the pound's slide to its lowest permitted level in the ERM range. Yesterday, the UK Foreign Secretary firmly reiterated the government's rejection of any sterling devaluation intentions.

Account Dealing Dates		
*First Dealings:		
Dec 30	Jan 13	Jan 27
Option Declarations:		
Jan 9	Jan 23	Feb 6
Last Dealings:		
Jan 10	Jan 24	Feb 7
Account Day:		
Jan 20	Feb 3	Feb 17

*New-time dealings may take place from 8.30 am two business days earlier.

Equities opened strongly yesterday morning, with marketmakers taking the view that the internationally-orientated stocks would continue to respond tp the dollar's overnight strength. General optimism, as well as the FT-SE Index itself, received a further boost from hints from other European markets that Allied-Lyons, the brewery and food group, was about to attract the long-predicted bid from North America.

Headed by a substantial gain in Allied, shares opened higher across the broad range of the market. But, as so often in current trading, it was when the stock index futures opened that the real boost was delivered to equities. A premium of more than 50 points, later more than 60, on the March contract on the Footsie, was quickly reflected in a 20.4 advance on the underlying Index.

These gains were too attractive to leave alone, and sellers soon appeared both in the futures and the underlying stocks. By mid-session, the stock market was edging below overnight levels and selling increased after the US bond market fell following the announcement of the latest US employment figures.

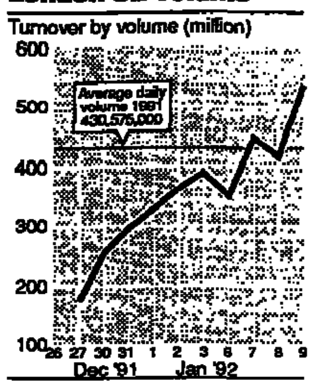
Somewhat mixed views on the US jobs data brought an uncertain tone opening on Wall Street which was 17 points down in UK trading hours. Profit-taking increased in London and in the absence of buyers for the new account, the stock market ended flat.

Equities were not helped by a gloomy day in the government bond market, where prices quickly extended early losses as first reports from the US fixed interest market appeared on the dealing screens. Long-dated British bonds ended with losses ranging to ¾ of a point.

● Retail, or customer, business in equities, having fallen to very low levels over Christmas, has shown some improvement this week.

London SE volume

Turnover by volume (million)



Renewed bid hint at Allied

DRINKS group Allied-Lyons rose sharply in early trading on renewed speculation that the group might be taken over by a consotium of Seagram, the Canadian drinks group and Philip Morris, the US food conglomerate.

The shares rose as much as 80p in a burst of early trading but then pulled back to close 35 up on the day at 667p on heavy turnover of 6.1m. There was also unusually heavy activity in the London Traded Options market. Allied-Lyons had no comment to make on the rumours.

Speculation firmed on the back of a freelance journalist's inquiries according to Mr Chris Wickham, analyst at Lehman Brothers International. Allied was also tipped in the press recently as one of the four British stocks most likely to be taken over in 1992.

Allied-Lyons was viewed as vulnerable last year when it reported poor results, in part from foreign exchange losses. But its moves to restore investor confidence, including a management shake-up have helped to restore its image.

Analysts said a bidder would need £8bn to buy Allied-Lyons, taking into account its market capitalisation of about £6bn and a £2bn bid premium. And a bidder would be taking on about £2bn in debt, they pointed out. Philip Morris has hinted that it might make a large acquisition in Europe, but Allied-Lyons has not been considered its top choice. Cadbury-Schweppes has more often been mentioned as its likely European target. Cadbury rose 5 but closed a penny off at 439p. United Biscuits was also affected and gained 11 before closing 4 up at 414p.

BT downgraded

Volume in the two classes of BT (formerly British Telecom), was more than double that of the next heaviest traded stock. Some 27m BT "new" shares changed hands while turnover in the "old" topped 10m shares.

Analysts involved in the Government's sale were precluded from issuing alterations to their forecasts until one month after the market debut of the new shares and the end of the stabilisation process which occurred at the close of business last Monday.

Dealers said both the stocks had held up well in the face of determined selling by institutions, which had begun to take notice of a series of profits downgrades by brokers associated with the flotation of a 26 per cent stake in BT. The flotation left the goverment with a 22 per cent holding in the group.

The general consensus among leading analysts was that pre-flotation estimates of BT's pre-tax profits for 1992, mostly in the region of £3.2bn would have to be pulled back to £3.1bn and those for 1993 back to around £3.2bn.

Kleinwort Benson said it had reduced its estimate for 1992 to £3.125bn and for 1993 to £3.25bn. BZW shifted from £3.15bn to £3.1bn for 1992 and from £3.4bn to £3.3bn for 1993, while UBS Phillips & Drew is forecasting £3.1bn for 1992 and £3.175bn for 1993. BT "old" shares eased 1¼ to 328½p and the "new" held at 125½p, having been up to 126½p. The stock goes "ex" the 5.7p interim dividend on Monday.

Oils hit again

Shearson Lehman was the latest broker to cut its forecasts for oil prices and oil company earnings. Mr Jeremy Hudson at Shearson moved to the bottom of the market forecast range in lowering his current year estimate for Brent crude to $18.50 a barrel and predicted "substantial" weakness during the next eights weeks. He downgraded his current year estimate of replacement net income for BP by 40 per cent to £635m and that for Shell by 20 per cent to £2.8bn. His bearish stance was illustrated by his advice to clients to "buy both stocks some 5 to 10 per cent lower down."

BP settled 1½ off at 282p on turnover of 6.5m while Shell dipped 3 to 473p on 6.9m traded. Lasmo, still responding to a series of broker buy recommendations, rose 4 to 238p on exceptionally heavy turnvoer of 4m. Smith New Court described Lasmo as "significantly (15 to 20 per cent) undervalued," while Kleinwort Benson labelled the stock its premier 1992 selection in the E & P sub-sector.

Motors weak

Motor stocks were weak after securities house Smith New Court took a stark look at the sector and cut its profit estimates for the coming year.

Smith's new motors analyst Mr Peter Deighton remains a seller continuing with the house line that the sector is "best avoided". He has reduced his 1991 forecast for T & N by £18m to £42m and his 1992 figure by £15m to £55m. He also raises a question mark over the 1992 dividend. Both profit figures are at the bottom of the range of analysts' estimates and the shares fell 10 to 102p. The house cut its 1991 and 1992 forecasts for GKN by £10m to £80m and £115m and the shares dropped 15 to 283p. Lucas Industries, also part of the forecast review, lost 7 to 102p.

Raine Industries eased to 102p with analysts expected to alter their estimates for the group which confirmed it had built up a 2.9 per cent stake in Lovell, the troubled construction group.

Smith & Nephew was firm after news it had settled its US legal case with Polteco for $37.5m, sharply cutting a damages award from $96m. The shares gained 1¾ to 143p on heavy turnover of 9.4m.

Motor group Inchcape continued to improve on the back of the 89.3 per cent take up of its rights issue. The shares gained 9 to 404p.

Asda shares were heavily traded (18m changed hands) and dropped to 28p before stabilising at 28½p, a net fall of 4½p, after news of the change of the group's finance director.

Asda is scheduled to report interim figures on Wednesday when profits are expected to be sharply down on last year's £60m. Estimates range from £10m to £30m.

Bearish noises from AB Foods' annual meeting left the shares 16 weaker at 447p and affected other milling and bakery stocks such as RHM, 8 off at 236p, and Dalgety, 9 lower at 376p.

Heavy trading in Burton saw the stock retreat 1¼ more to 34p on turnover of 14m; dealers said a Smith New Court sell note had triggered much of the activity in the stock. Ratners eased 2 to 21p on turnover of 13m after the statement on Christmas trading and the management changes.

Principal chemical stocks were weakened by a change of stance from securities house Smith New Court. The house, is preparing a 20-page strategy document on the sector and analyst Mr Charles Lambert said yesterday: "The whole sector is overvalued."

The Smiths analysts spoke to their sales team yesterday morning and clients were being advised to take profits principally in ICI, which fell 10½ to 1167½p and Courtaulds which lost 20 to 499p.

A positive note from UBS Phillips & Drew on textile stocks in general and Coats Viyella in particular encouraged buyers. The stronger dollar and a UBS forecast on the US currency was behind the forecast change. Coats Viyella rose 8 to 176p.

MARKET REPORTERS:
Peter John,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 9.

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (91).
BRITISH FUNDS (36) Tr. 3pc 1992, Tr. 6¾pc '95-98, Tr. 9½pc 1999, Cv. 10¼pc 1999, Cv. 9pc 2000, Tr. 10pc 2001, Tr. 9¾pc 2002, Tr. 10pc 2003, Fd. 3½pc '99-04, Cv. 9½pc 2004, Do. A, Cv. 9½pc 2005, Tr. 12½pc '03-05, Tr. 8pc '02-06, Tr. 11¾pc '03-07, Tr. 8½pc 2007, Tr. 13½pc '04-08, Tr. 9pc 2008, Tr. 8pc 2009, Cv 9pc 2011, Do. B, Tr. 5½pc '08-12, Tr. 7¾pc '12-15, Ex. 12pc '13-17, Tr. 2pc IL 1992, Tr. 2pc IL 1996, OTHER FIXED INTEREST (3) GLC 6¾pc '90-92, Ireland Cap. 8½pc 2010, AMERICANS (9) Amdahl, Colgate-Palmolive, Dial Corp., Hasbro, Honeywell, Merrill Lynch, Morris (Ph), Pall, Southwestern Bell, CANADIANS (5) Amer. Barrick Res., Bank of Montreal, Bank of Nova Scotia, Brascan, Can. Pacific, BREWERS & DISTILLERS (4) Allied-Lyons, Grand Met., Greenalls, Scot. & Newcastle, BUSINESS SERVICES (1) Rentokil, CHEMICALS (1) Cambridge Isotope, ELECTRICALS (1) Unidare, ELECTRONICS (1) Radamec, ENGINEERING GENERAL (2) Bogod A, Victaulic, FOOD MANUFACTURING (1) IAWS A, HEALTH & HOUSEHOLD (5) AAH, Amersham Intl., Baspek, Glaxo, Smith & Nephew, HOTELS & LEISURE (2) Granada, Photo-Me, INSURANCE LIFE (1) Irish Life, INVESTMENT TRUSTS (2) Marsden, Scottish Value, MEDIA (3) LWT 3.9375pc Cnv. Prfd., Sunset & Vine, Ulster TV, OIL & GAS (1) Evergreen Res., OTHER FINANCIAL (2) Biotech Plg. Prf., Sterling, OTHER INDUSTRIAL MATERIALS (3) Harris (Ph), Tomkins, Do. 5.5pc Prf., PACKAGING, PAPER & PRINTING (2) CMB Packaging, De La Rue, TEXTILES (4) British Mohair, Campari Intl., House of Lerose, Shiloh, TRANSPORT (1) Sea Containers, WATER (1) South Staffs., MINES (1) Navan Res.

NEW LOWS (57).
BUILDING MATERIALS (3) Marshalls, Quiligotti, Sheffield Insulns., CONGLOMERATES (1) Reece, CONTRACTING & CONSTRUCTION (8) AMEC 6.5p Prf., Birse, Laing (J) A, McLaughlin & Harvey, Prowting, ELECTRICALS (3) Emess, Do. 6.25p Prf., Wholesale Fittings, ELECTRONICS (2) AB, Standard Platform, ENGINEERING GENERAL (3) Elliott (B), Verson Intl., Wilshire, FOOD MANUFACTURING (2) Berisford Intl., Matthews (B), FOOD RETAILING (1) Merchant Retail, HOTELS & LEISURE (2) Wembley, Whitegate, INSURANCE BROKERS (1) Archer (A.J), INVESTMENT TRUSTS (4) EFM Inc., Geared Inc., River & Merc. Cap., Sphere Wrrnts., MEDIA (2) Black (AC), WPP Wrrnts., MOTORS (2) Lucas, Do. Wrrnts., OIL & GAS (3) Cairn Energy, Caspen Oil, Triton Europe, OTHER FINANCIAL (3) Aberdeen Trust, Gerrard & Natl., Union Discount, PROPERTY (10) Bredero, Bucknall, Cabra Ests., Chesterfield, Derwent Valley, Greycoat, Marlwale Moore, Ossory Ests., Rosehaugh, Stanhope, STORES (4) Oliver, Do. Dfd., Ratners, Do. 8⅞pc Prf., TEXTILES (1) Alexandra Workwear, MINES (5) Angloval, Cluff Res., De Beers Linked Units, Meekatharra, Rustenburg Platinum.
NEW HIGHS (91).

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	13	58	10	250	75	83
Other Fixed Interest	5	11	2	45	23	26
Commercial, Industrial	227	309	956	1,377	1,383	4,695
Financial & Property	143	131	518	597	786	2,557
Oil & Gas	20	23	48	98	126	231
Plantations	2	2	6	5	5	40
Mines	65	7	80	211	121	428
Others	86	15	42	290	214	235
Totals	561	556	1,662	2,873	2,733	8,295

FINANCIAL TIMES STOCK INDICES

	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.42	87.38	87.34	87.28	87.16	83.29	87.94 (18/9/91)	82.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	99.57	97.88	97.89	97.76	97.65	91.06	99.57 (10/1/92)	90.59 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1874.2	1904.8	1885.9	1904.1	1906.5	1646.0	2108.3 (2/9/91)	1608.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	160.6	151.2	145.4	140.3	139.2	172.0	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2477.9	2497.9	2487.1	2482.9	2493.2	2108.1	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1140.60	1140.71	1120.52	1128.64	1137.86	-	1198.60 (3/9/91)	938.62 (16/1/91)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.80	4.76	4.83	4.79	4.79	5.81				
●Earning Yld %(full)	7.19	7.14	7.24	7.19	7.18	12.11				
●P/E Ratio(Net)(☆)	17.48	17.60	17.37	17.49	17.51	9.99				
SEAQ Bargns 4.45pm	32,925	28,589	27,305	28,605	32,400	32,250				
Equity Turnover(£m)†	-	1130.00	1065.80	958.70	880.10	710.05				
Equity Bargains†	-	27,674	26,871	30,724	29,750	32,755				
Shares Traded (ml)†	-	537.8	415.8	449.7	351.1	323.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.49 † Indicative

Ordinary Share Index, Hourly changes — Day's High 1917.5 — Day's Low 1873.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1906.3	1911.1	1902.4	1896.5	1891.8	1890.1	1887.9	1886.3	1876.4

FT-SE 100, Hourly changes — Day's High 2518.3 — Day's Low 2476.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2503.6	2511.2	2501.0	2498.3	2494.6	2491.8	2490.4	2490.2	2480.1

FT-SE Eurotrack 200, Hourly changes — Day's High N/A — Day's Low N/A

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1144.27	1143.03	1142.94	1143.00	1142.89	1141.91†	1142.14†

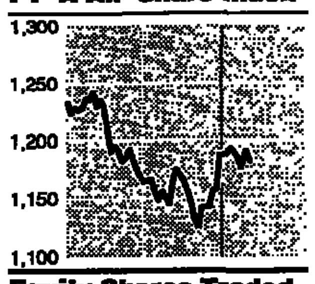
GILT EDGED ACTIVITY

Indices*	Jan 9	Jan 8
Gilt Edged Bargains	84.9	82.4
5–Day average	80.2	75.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

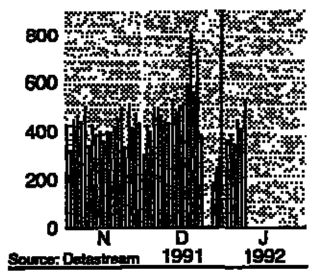
London report and latest Share index: Tel. 0898 123001

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



Source: Datastream 1991 1992

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	101	395	-3	Cookson	2,200	115	+4	Lucas	7,800	102	-7	Shell Transport	6,800	473	-3
ASDA Group	18,000	28½	-4½	Courtaulds	995	489	-20	MB Caradon	833	258		Siebe	298	543	-1
Abbey National	952	278½	-2½	Dalgety	935	376	-9	MEPC	852	380	-3	Slough Ests	695	227	+3
Albert Fisher	3,100	71½	-3½	De La Rue	863	512	+16	Manweb	897	312	-6	Smith (W.H.) A	376	429	-4
Allied-Lyons	6,300	657	+35	Dixons	2,900	211		Marks & Spencer	1,900	272	-2	Smith & Nephew	8,900	143	+2
Amstrad	2,400	27	+1	ECC Group	325	489	-12	Midland Bank	1,600	206	-2	SmKl Beecham	2,100	887	-4
Anglian Water	320	330		Eastern Elect.	1,300	219	-7	Midlands Elect.	2,000	257	-3	SmKl Beecham Uts.	328	4343	
Argos	576	256		East Midland Elect.	679	239	-8	NFC	1,400	233	-4	Smiths Inds.	580	388	-1
Argyll Group	4,800	282	-5	Enterprise Oil	1,200	425	-4	NatWest Bank	3,400	289	-2	Southern Elect.	1,300	254½	-4½
Arjo Wiggins	241	260	-2	Eurotunnel Units	1,000	452	+7	National Power	2,700	132½	-4	South Wales Elect.	300	305	-7
Ass. Brit. Foods	887	447	-16	FKI	751	51	-1	Next	481	58½	-½	South West Water	1,000	319	
BAA	789	547	-8	Ferranti	1,500	8		North West Water	1,300	342	+1	South West. Elect.	452	250	-2
BAT Inds	2,900	673	-10	Fisons	6,200	347	-2	Northern Elect.	482	257	-7	Southern Water	233	319	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,000	229½	-1½	Northern Foods	881	532		Standard Chartd.	1,000	430	+2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	774	444	-14	Norweb	1,000	280	-13	Storehouse	1,300	104	+1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,400	186	-4	Pearson	358	718	-6	Sun Alliance	658	275	-10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6,400	916	-7	P & O	1,400	419	-16	T&N	989	102	-10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	651	223	-4	Pilkington	989	132	-3	TI Group	130	554	+2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	504	209	-1	PowerGen	2,900	142½	-3	TSB	4,200	117	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,800	822	-3	Prudential	2,700	227	-6	Tarmac	1,600	107	-7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	434	1364	+6	RHM	2,000	236	-8	Tate & Lyle	1,200	419	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,800	121	-1	RMC	118	627	-14	Taylor Woodrow	882	117	-7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,300	288	-15	RTZ	1,600	485	-9	Tesco	3,000	217	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,700	532	-2	Racal	2,600	51		Thames Water	1,000	342	+6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	178	454		Rank Org.	509	620	+2	Thorn EMI	1,000	770	+7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19,000	196	-2	Reckitt & Colman	481	687	+6	Tomkins	183	434	+1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	735	19½		Redland	1,000	436	-4	Trafalgar House	2,700	129	-5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,900	107½	-3½	Reed Intl.	1,200	523	-10	Ultramar	320	273	+3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13	754	+4	Rentokil	86	391	+1	Unigate	1,400	269	-5
British Land	212	254	+1	Hillsdown	2,600	163	-9	Reuters	429	1045		Unilever	1,200	895	-8
BP	8,520	282	-1½	IMI	1,400	231	-2	Rolls Royce	3,800	132	+2	United Biscuits	4,000	414	+4
British Steel	7,600	64½	-3½	ICI	1,000	1167½	-10½	Rothmans	380	1107	-18	Utd. Newspapers	427	357	+2
British Telecom	10,000	328½	-1½	Inchcape	524	404	+9	Ryl Bk Scotland	558	180	-1	Vodafone	1,900	357	-2
Br. Telecom New	27,000	125½		Kingfisher	1,700	457	+5	Royal Insurance	551	233	-18	Warburg (SG)	165	528	-3
Bunzl	2,200	90	-2	Ladbroke	976	219	-3	Saatchi	9,200	13½		Wellcome	586	1035	-8
Burmah Castrol	196	486	-4	Land Securities	1,300	447	-3	Sainsbury	832	340	-6	Welsh Water	118	353	+4
Burton	14,600	34	-1½	Laporte	737	616	+3	Scottish & New.	767	428	+1	Wessex Water	248	388	-1
Cable & Wire.	2,500	580	+6	Legal & General	391	363	-2	Scot. Hydro-Elect.	3,100	105	-3	Whitbread 'A'	1,100	446	-5
Cadbury Schweppes	2,600	439	-1	Lloyds Abbey	928	348	-9	Scottish Power	7,500	105	-3	Williams Hldgs.	2,000	303	-4
Calor Group	147	209	-3	Lloyds Bank	1,100	384	-5	Sears	4,000	98		Willis Corroon	2,700	231	-6
Carlton Comms.	158	510	+3	LASMO	4,000	238	+4	Sedgwick	789	204		Wimpey	917	117	-5
Coats Viyella	1,600	176	+8	London Elect.	1,700	240	-7	Seeboard	341	258	-9	Yorkshire Elect.	1,800	286	-7
Comm. Union	1,100	464	-14	Lonrho	2,800	176	-1	Severn Trent Water	1,700	306		Yorkshire Water	1,300	385	+9

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

IT was a heavy trading session in stock index futures yesterday, in part because marketmakers read the trend incorrectly at the opening.

The overnight strength of the dollar, together with an initial spurt of demand for Allied-Lyons, induced a mark-up in the March contract on the Footsie, which showed a premium of 54 points before trading had properly started. Speculative buying pushed the premium to 65 points, against a fair value premium, allowing for dividend and financing costs, of only 29 points or so.

Then, as the Allied situation calmed down and share investors took profits ahead of the close of the equity account, locals in the stock index futures sector sold March heavily, bringing in the premium to 35-40 points by the official close; later trading saw March under further pressure.

Traded options were relatively quiet, with total turnover of 24,779 compared with 32,857. Allied-Lyons topped the active list, with 4,389 lots dealt, as hints circulated of an impending bid from the US. Option trading was inhibited by refusal of several leading firms to register as marketmakers in individual stock options when the market moves to new premises at the beginning of February.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	114.6880	-1.749	9.85	9.49	9.66
BELGIUM		9.000	08/01	102.0000	+0.100	8.67	8.86	9.11
CANADA *		8.500	04/02	103.4200	-0.880	8.00	8.03	8.51
DENMARK		9.000	11/00	103.0250	+0.200	8.49	8.68	8.93
FRANCE	STAN	8.500	11/96	99.0880	+0.340	8.73	8.95	9.11
	OAT	9.500	01/01	108.4700	-0.060	8.44	8.56	8.82
GERMANY		8.25	09/01	101.9500	-0.010	7.94	8.05	8.27
ITALY		12.000	06/01	97.9300	-0.040	12.37	12.49	12.58
JAPAN	No 119	4.800	06/99	95.8232	-0.123	5.59	5.61	5.95
	No 129	6.400	03/00	106.0988	-0.277	5.38	5.34	5.61
NETHERLANDS		8.500	03/01	100.5800	+0.040	8.40	8.55	8.77
SPAIN		11.900	07/98	101.3500	+0.260	11.43	11.74	11.85
UK GILTS		10.000	11/96	100-26	-10/32	9.78	9.83	9.75
		10.000	02/01	102-14	-19/32	9.59	9.63	9.64
		9.000	10/08	97-09	-21/32	9.32	9.36	9.43
US TREASURY *		7.500	11/01	104-20	-13/32	6.84	6.82	7.17
		8.000	11/21	106-08	-22/32	7.47	7.49	7.79

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1991 based on Thursday January 9 1992

Gold Mines Index	+	7.92	All-Share Index	+	0.23
Health & Household	+	4.86	Motors	+	0.14
Packaging, Paper & Printing	+	4.71	Other Groups	-	0.08
Electricals	+	4.17	Chemicals	-	0.27
Brewers & Distillers	+	3.62	Investment Trusts	-	0.31
Other Industrial Materials	+	2.93	Insurance Brokers	-	0.49
Merchant Banks	+	2.70	Telephone Networks	-	0.68
Engineering-General	+	2.13	Textiles	-	0.77
Engineering-Aerospace	+	2.05	Metals & Metal Forming	-	1.09
Hotels & Leisure	+	2.01	Stores	-	1.11
Consumer Group	+	1.99	Electronics	-	1.20
Media	+	1.51	Contracting, Construction	-	1.79
Industrial Group	+	1.22	Property	-	1.85
Water	+	1.18	Electricity	-	1.88
Capital Goods	+	1.15	Financial Group	-	2.04
Business Services	+	0.61	Banks	-	2.23
Conglomerates	+	0.61	Insurance Composite	-	2.32
Transport	+	0.60	Food Retailing	-	3.62
500 Share Index	+	0.57	Oil & Gas	-	4.17
Building Materials	+	0.53	Insurance (Life)	-	4.21
Food Manufacturing	+	0.32			

APPOINTMENTS

The arts in Scotland

Five years ago the then secretary and head of information at BBC Scotland was in the thick of it. Fellow Scot Alasdair Milne had just been fired as BBC director general and the police had raided BBC Glasgow to take away tapes of the Secret Society television series. Now John McCormick (above left) is about to take over as Controller of BBC Scotland. He has demonstrated his sure political touch; but he still faces considerable challenges.

The general election campaign could be particularly bitter in Scotland, especially in the wake of British Steel's decision to close Ravenscraig; McCormick will also somehow have to reconcile the growing swell in favour of devolution with the needs of the rather centralised BBC bureaucracy.

Another challenge is to increase the audience for Radio Scotland, the local equivalent of Radio 4, which gets between 10 and 13 per cent of the Scottish audience. "I am looking forward to leading BBC Scotland through this challenging period," is how he puts it.

At least in the battle for his share of the Corporation's scarce resources, the Ayrshire-born executive starts with an enormous advantage. As the secretary of the BBC in London for the past four years, he has an intimate knowledge of all the Corporation's secrets.

Bill Brown, chairman of Scottish Television, is to become chairman of the Scottish Arts Council from April 1. He succeeds Professor Sir Alan Peacock, the economist, in the unpaid, part-time post.

Brown, 62, was managing director of Scottish Television for 24 years to 1990 where he was considered an astute businessman. He then handed over to Gus Macdonald who achieved a coup last year by winning renewal of the franchise with a bid to the Independent Television Commission of only £2,000.

The Scottish Arts Council is an offshoot of the Arts Council of Great Britain but has considerable autonomy, with most decisions being taken in Scotland by the council – which Brown will chair. He will benefit from an unusually generous 13.7 per cent boost in next year's Arts Council spending, taking the budget to £22m. But he will have to wrestle with the financial problems of institutions such as Scottish Opera and the Royal Scottish National Orchestra.

Brown, who lives in Glasgow, has been on the boards of Scottish Opera and of the orchestra and is a trustee of the National Museums of Scotland. He is chairman of Scottish Amicable Life Assurance and a director of Sunrise Television.

■ John Wolfe is appointed deputy chairman of BRITISH MIDLAND; he remains group md of Airlines of Britain Holdings.

■ Roger Storey is appointed group md of RUBERY OWEN-ROCKWELL.

■ John Cole, divisional md of the distribution division of TRANSPORT DEVELOPMENT Group, is appointed to the main board.

■ William Stockdale is promoted to md, engineering resources division of SCOTTISH POWER; he replaces Robin Jeffrey who is to become chief executive of SCOTTISH NUCLEAR.

■ Richard Allen is appointed md of W CANNING's electronic component distribution division.

■ Peter Allen is appointed finance director of CELLTECH; he moves from Associated British Ports.

New finance directors for Asda and D&N

Archie Norman, the 37-year-old chief executive of troubled retailer Asda, has made a quick move since his arrival in early December with the appointment of a new finance director.

Ron Scott, who has been in the post since 1988, was closely identified with recent mishaps including the financing of the purchase of the Gateway superstores in 1989 which left the company heavily debt-laden as interest rates soared. Scott, 42, leaves at the end of March, but not before he has to present what city analysts expect to be dismal interim results for the six months ending October 1991 next Wednesday.

His replacement, 41-year-old Phil Cox, knows something about troubled businesses after nearly two years as chief executive of the now much diminished recruitment and financial services company Burns-Anderson. He left last October after completing his task of disposing of most of the financial services operations. Hitherto his experience had been in retailing – though not food – most recently as finance director of Horne Brothers before it was acquired by Sears.

Asda's share price drop of 4p to 28½p yesterday was attributed to nervousness ahead of Wednesday's interim.

Meanwhile, Tim Redburn, who helped turn round the troubled Hoverspeed cross-channel hovercraft operator in the mid-1980s, has been appointed finance director of Davies & Newman, parent of the UK's Dan-Air which was rescued from the brink of bankruptcy last year.

Redburn, 38, is the first of a number of external appointments made to strengthen the Davies & Newman board. Wilf Jones, the previous finance director, quit at the end of 1990 following the arrival of David James, the company doctor. In the interim the job has been undertaken by Ronald Series, one of David James' team.

Later this year James is expected to step down as chairman and hand over the management to a chief executive yet to be appointed.

Although Davies & Newman is between three and four times as big as Hoverspeed, Redburn says there are "lots of similarities between the two businesses".

COMMODITIES

WEEK IN THE MARKETS

Gold leads precious metals higher

GOLD LED precious metals prices into greener pastures this week after an early fall revealed solid support below $350 a troy ounce.

A wave of investment fund selling, which started in Japan, was blamed for Monday's $3.65 fall to a four-month low of $348.50 an ounce. That did nothing for sentiment on the platinum market, which was also suffering from worries about the US economy and the international motor industry. The white metal's price tumbled $6.25 to $330.75 an ounce, the lowest level for nearly seven years. Meanwhile silver lost 5.6 cents to close in London at 392 cents an ounce.

But that fall had pushed the gold market into a technically oversold situation, and with good physical demand emerging the price first steadied and then rose strongly, helped by US investment fund and Middle East buying. By yesterday's close the price was $357.75 an ounce, up $5.60 on the week.

The more bullish sentiment naturally spilled over into the platinum market, where news of a strike at Impala's Bafokeng North mine in South Africa added to the upward momentum. Yesterday afternoon the London platinum price was fixed at $341.75 an ounce, up $4.75 on the week.

Silver also joined in the fun, ending the week 12.50 cents up on balance at 412 cents an ounce.

At the London Metal exchange the aluminium market put in a stronger performance, in spite of the continuing build-up in exchange warehouse stocks, which last week passed the 1m-tonne mark. The cash price gained another $6.50 yesterday to end $30 up on the week at $1,137 a tonne.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	+11,700	to 1,026,050
Copper	-2,600	to 332,425
Lead	-375	to 126,000
Nickel	+196	to 13,536
Zinc	+1,100	to 157,275
Tin	+320	to 13,975

Dealers noted that aluminium's price rise had been dampened by a strengthening in the US dollar towards the end of the week. But that factor helped to fuel a rally in the LME's sterling-denominated copper contract.

A sharp fall in the first half of the week pushed the three months copper price down to £1,140.50 a tonne, the lowest level since August 1988, before the trend was reversed on Wednesday by news that a strike was threatened by miners in Chile, the world's biggest copper producer, in protest at government privatisation plans.

The three months price closed yesterday at £1,203.75 a tonne, up £24 on the week. That was £63.25 up from Wednesday's low, but in terms of the US currency the rally amounted to a much more modest $32.50.

The nickel market continued to be buoyed this week by talk of production cuts by Falconbridge of Canada, despite the announcement of a sizeable rise in LME warehouse stocks. The cash price closed yesterday at $77,820 a tonne, up $142.50 on the week but $35 below the seven-week high reached on Monday.

Zinc prices began and ended the week with sharp falls, but rises in between meant that the cash price ended only $8.50 lower on balance at $1,136.50 a tonne. Price movements mainly reflected the ebb and flow of the fears about nearby supply tightness that had been boosting values in recent weeks. This was highlighted by the fluctuations in the cash premium over three months metal, which peaked at $37.50 a tonne on Thursday before ending at the week's low of $28.50. Early last week this premium, known as the "backwardation", reached $59.50 a tonne.

At the London Futures and Options Exchange the coffee market was another beneficiary of the dollar's strength. The March delivery price ended £41 up on the week at £566 a tonne, but the currency factor accounted for about £13.50 of that rise. The rest was attributed to what dealers described as "a generally constructive mood" and concern over nearby supply tightness. The latter factor resulted in the January position's £3 discount against March turning into a £10 premium during the course of the week.

The cocoa market rallied strongly yesterday after being on the slide for most of the week. The May position's £22 rise on the day, which traders said was "a bit of a correction" to an oversold position, left the price £2 up on the week at £760 a tonne. But after allowing for the currency factor that worked out as a £17.50 fall.

A rise in sugar futures prices was trimmed in mid-week after F.O. Licht, the German statistics agency, cut its estimate of 1991-92 world output by a smaller amount than traders had been expecting. But in late trading yesterday nearby values were still about $2 up from the end of last week.

Richard Mooney

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. *However*, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Fixed Int. Dep. Acc.	327.7	345.0	—	—
Equity Acc.	1816.2	1869.7	+4.4	—
Property Acc.	489.2	515.0	+0.3	—
Far East Acc.	195.9	206.3	+1.4	—
European Acc.	26.0	27.4	+0.2	—
Managed Cap.	416.6	438.6	+1.5	—
Managed Acc.	797.4	839.4	+2.8	—
O'seas Earnings Acc.	706.7	743.9	+1.7	—
Gilt Edged Acc.	376.5	396.4	+0.8	—
American Equity Acc.	559.9	589.4	+13.7	—
American Man. Acc.	247.7	260.8	+6.0	—
American Prop Acc.	119.7	126.0	+2.4	—
High Income Acc.	23.3	24.6	-0.1	—
Ser 4				
Fixed Int Dep Acc.	27.2	28.7	—	—
Equity Acc.	26.6	28.0	+0.1	—
Property Acc.	25.3	26.6	—	—
Far East Acc.	22.8	24.0	+0.2	—
European Acc.	21.9	23.1	+0.2	—
Managed Acc.	26.6	28.1	+0.1	—
Overseas Acc.	27.3	28.8	+0.1	—
Gilt Acc.	29.2	30.8	+0.1	—
Am Equity Acc.	27.6	29.1	+0.6	—
Am Managed Acc.	26.7	28.2	+0.6	—
Am Property Acc.	20.7	21.8	+0.4	—
High Income Acc.	23.3	24.6	-0.1	—
High Income Ser 2	23.3	24.6	-0.1	—
Pension Funds				
F.I. Dep. Cap.	361.7	380.8	+0.1	—
F.I. Dep Acc.	678.2	713.9	+0.2	—
Prop. Cap.	506.7	533.4	+0.4	—
Prop. Acc.	1050.9	1106.3	+1.0	—
Man. Cap.	872.2	918.2	+3.0	—
Man. Acc.	1808.8	1904.1	+6.2	—
Gilt Edged Cap.	369.8	389.3	+0.8	—
Gilt Edg. Acc.	623.7	656.6	+1.3	—
Eq. Cap.	1416.8	1491.4	+6.0	—
Eq. Acc.	2225.2	2342.4	+9.5	—

INSURANCES

OTHER UK UNIT TRUSTS

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	Bid Price	Offer Price	+ or −	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London WC1R 4UJ 071-430 2348				
Life Managed Fd	107.7	113.4	...	−
Pension Managed Fd	105.9	111.5	...	−
Life Deposit Fd	111.8	117.7	...	−
Pension Deposit Fd	119.0	125.2	...	−

For National Fis see Target Life

	Bid Price	Offer Price	+ or −	Yield Gross
National Mutual Life				
The Priory Priory Pk, Hitchin. SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	168.6	177.5	...	−
UK Equity	176.1	185.4	...	−
Overseas Equity	134.3	141.4	...	−
Fixed Interest	159.4	167.8	...	−
Property	128.2	135.0	...	−
Index Linked	152.6	160.7	...	−
Deposit	166.2	175.0	...	−
With Profits (B)	136.0	143.2	...	−

	Bid Price	Offer Price	+ or −	Yield Gross
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	350.4	368.9	+2.2	−
UK Equity	435.3	458.3	+1.1	−
Overseas Eq.	339.6	357.5	+5.4	−
Americas	297.7	313.4	+7.5	−
Far East	346.5	364.8	+0.3	−
Property	193.8	204.1	+0.1	−
Fixed Int.	277.0	291.6	+1.9	−
Indexed Gilt	163.0	171.6	+0.1	−
Deposit	189.9	199.9	...	−
With Profit	106.4	112.0	...	−
Pension Fund (Accum Units)				
Managed	505.6	532.3	+2.8	−
UK Equity	587.6	618.6	+1.6	−
Overseas Eq	573.3	603.5	+6.0	−
Americas	384.6	404.9	+4.1	−
Far East	571.5	601.6	+1.4	−
Property	248.4	261.5	+0.2	−
Fixed Int.	347.8	366.2	+1.6	−
Indexed Gilt	[illegible]	[illegible]	[illegible]	−

	Bid Price	Offer Price	+ or −	Yield Gross
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc.	214.5	226.3	+0.5	−
UK Fixed Int Acc.	196.8	207.6	+0.5	−
Intl Equities Acc.	173.6	183.2	+2.1	−
UK Managed Acc.	169.8	179.1	+1.0	−
Property Acc.	224.7	237.1	...	−
Money Acc.	134.9	142.4	...	−
Special Market Acc.	151.2	159.5	+4.4	−
Japan Equity Acc.	93.8	99.0	−0.4	−
North American Acc.	107.3	113.2	+3.6	−
Pacific Acc.	91.5	96.6	+1.1	−
Technology Acc.	135.9	143.4	+3.4	−
Nat Resources Acc.	56.5	59.6	+4.5	−
European Acc.	99.6	105.1	+1.8	−
Residential Prop Acc.	85.0	89.7	...	−
Swiss Equities Acc.	33.4	35.3	+0.8	−
Hong Kong Acc.	69.3	73.2	+1.6	−
UK High Inc Eq Acc.	68.6	72.4	−0.1	−
Int Fixed Interest Acc.	61.7	65.1	+0.4	−
Int Managed Acc.	56.5	59.5	+0.5	−
HIP Managed Acc.	115.3	121.6	+1.7	−
HIP Managed II Acc.	101.9	107.4	+1.5	−
HIP Managed III Acc.	110.3	116.3	+1.4	−
Total Investment Bond				
UK Equity Initial		145.3	+0.4	−
UK Fixed Int Initial		133.4	+0.3	−
Intl Equities Initial		116.9	+1.3	−
UK Managed Initial		115.2	+0.6	−
Property Initial		153.5	...	−
Money Initial		92.0	...	−
Special Market Initial		116.9	+3.3	−
Japan Equity Initial		72.6	−0.2	−
North American Initial		82.9	+2.6	−
Pacific Initial		70.8	+0.9	−
Technology Initial		109.1	+2.6	−
Nat Resources Initial		49.7	+3.4	−
European Initial		88.9	+1.4	−
Residential Prop Init.		80.8	...	−
Swiss Equities Initial		31.8	+0.7	−
Hong Kong Initial		65.9	+1.3	−
UK High Inc Eq Init.		65.2	−0.2	−
Int Fixed Interest Init.		59.5	+0.4	−

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)

OFFSHORE INSURANCES

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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Federated International Funds Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1680)F

JERSEY (REGULATED)(**)

Barclays Intl Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Currency Funds				
Sterling	£21.68		+0.01	9.4
US Dollar	$31.64		----	3.3
Deutschemark	DM56.03		+0.01	8.4
Yen	Y4,083		+0001	4.6
Managed Multicurrency	£13.12	13.59	+0.18	-
Managed Multicurrency	$25.40	26.30	+0.01	-
Bond Funds				
Sterling Bond	£0.416	0.432	+0.001	10.6
US Government Income	$101.09	105.31	-0.09	6.6
Asian Selection Funds				
Hong Kong	$13.608	14.324	+0.020	3.0
Indonesia	$7.754	8.162	-0.080	2.5
Korea	$9.758	10.268	-0.065	2.5
Malaysia	$9.894	10.415	-0.032	0.5
Philippines	$11.145	11.702	-0.320	2.5
Singapore	$12.067	12.702	-0.191	1.0
Thailand	$12.662	13.328	+0.029	2.5
South East Asia	$11.468	12.072	+0.034	3.0
US Dollar Liquidity	$9.625	10.104	+0.001	3.4

Carter Allen Investment Management (CI)

	Bid Price	Offer Price	+ or -	Yield Gross
CA Gilt Income	£6.64	6.94	----	17.29
CA Gilt & Futures	£1.020	1.072	----	7.46
CA Equity Gwth	£3.92	4.29	----	3.50

Citibank (CI) Ltd "Citifunds"

	Bid Price	Offer Price	+ or -	Yield Gross
Liquidity Funds				
Deutschmark	DM30.384		+0.006	-
Yen	Y3025.765		-0.874	-
Sterling	£12.349		+0.003	-
US Dollar	$18.348		+0.003	-
Managed	$19.078		-0.267	-
Short term Investment Funds				
Irish £ Jan 9	113.793		+0.324	-
Equity Funds				
Global Equity	$17.862		-0.070	-
Japan Equity Jan 9	$9.530		+0.006	-

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jan 9	Jan 8	Jan 7	Jan 6	1991/92 HIGH	1991/92 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3209.53	3203.94	3204.83	3200.13	3209.53 (9/1/92)	2470.30 (9/1/91)	3209.53 (9/1/92)	41.22 (2/7/32)
Home Bonds	99.47	99.38	99.46	99.20	99.47 (9/1/92)	91.30 (16/1/91)	99.47 (9/1/92)	54.99 (1/10/81)
Transport	1367.53	1380.42	1383.03	1365.47	1383.03 (7/1/92)	894.30 (7/1/91)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.89	221.64	221.83	223.02	225.59 (3/1/92)	195.17 (10/7/91)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3246.65 (3245.53) Low 3173.75 (3164.58)

STANDARD AND POOR'S	Jan 9	Jan 8	Jan 7	Jan 6	1991/92 HIGH	1991/92 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.61	418.10	417.40	417.96	419.34 (3/1/92)	311.49 (9/1/91)	419.34 (3/1/92)	4.40 (1/6/32)
Industrials	494.52	494.37	493.46	494.06	495.78 (3/1/92)	364.90 (9/1/91)	495.78 (3/1/92)	3.62 (21/6/32)
Financial	34.45	34.55	34.40	34.40	34.55 (8/1/92)	21.96 (9/1/91)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	230.23	230.23	229.69	229.85	230.35 (3/1/92)	170.97 (9/1/91)	230.35 (3/1/92)	4.46 (25/4/42)
Amex Mkt. Value	407.57	403.48	401.71	399.27	407.57 (9/1/92)	296.72 (14/1/91)	407.57 (9/1/92)	29.31 (9/12/72)
NASDAQ Composite	619.80	610.32	602.29	597.90	619.80 (9/1/92)	355.75 (14/1/91)	619.80 (9/1/92)	54.87 (31/10/72)

	Jan 3	Dec 27	Dec 20	year ago (approx.)
Dow Industrial Div. Yield	2.90	2.99	3.13	4.02

	Jan 8	Dec 31	Dec 24	year ago (approx.)
S & P Industrial div. yield	2.54	2.55	2.68	3.31
S & P Indl. P/E ratio	25.51	25.35	24.21	15.92

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Advanced Micro	6,693,000	18⅞	- ⅛
Glaxo	6,541,600	34⅞	+ 1¼
RJR Nabisco	5,997,700	11½	----
Healthtrust	4,430,400	22¼	+ 3⅜
Santa Fe R	3,114,500	7¼	- ¼
Pepsico	2,612,900	35¼	----
Smith Intl	2,495,900	6⅞	+ ⅛
Philip Morris	2,483,900	80⅞	+ ⅜
Hewlett Packard	2,206,000	59⅞	+ 1⅛
Amer T & T	2,163,400	41⅛	+ ¼

TRADING ACTIVITY

† Volume Millions	Jan 9	Jan 8	Jan 7
New York SE	291.780	289.690	251.280
Amex	23.642	21.727	19.536
NASDAQ	287.149	280.145	252.252
NYSE			
Issues Traded	2,217	2,205	2,235
Rises	1,001	1,070	919
Falls	778	719	873
Unchanged	438	416	443
New Highs	252	250	189
New Lows	13	8	6

CANADA

TORONTO	Jan 9	Jan 8	Jan 7	Jan 6	1991/92 HIGH	1991/92 LOW
Metals & Minerals	2998.40	2999.33	2937.61	2943.65	3299.99 (18/7/91)	2632.06 (9/1/91)
Composite	3580.60	3515.64	3512.90	3524.77	3604.09 (12/11/91)	3161.95 (15/1/91)
MONTREAL Portfolio	1875.95	1864.31	1860.24	1865.08	1907.35 (12/11/91)	1686.89 (9/1/91)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 10	Jan 9	Jan 8	Jan 7	1991/92 HIGH	1991/92 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1667.9	1662.0	1663.4	1667.7	1696.3 (8/11/91)	1204.5 (16/1/91)
All Mining (1/1/80)	676.0	665.7	667.3	669.2	707.2 (24/7/91)	561.6 (16/1/91)
AUSTRIA						
Credit Aktien (30/12/84)	390.39	383.46	381.76	385.25	534.81 (16/4/91)	372.24 (2/1/92)
BELGIUM						
BEL20 (1/1/91)	1107.00	1100.94	1097.23	1106.01	1212.15 (17/4/91)	917.59 (17/1/91)
DENMARK						
Copenhagen SE (3/1/83)	360.45	357.62	357.23	358.66	380.04 (2/8/91)	302.26 (8/1/91)
FINLAND						
HEX General (28/12/90)	829.9	811.9	799.6	792.0	1186.9 (8/4/91)	765.2 (23/12/91)
FRANCE						
CAC General (31/12/82)	494.37	485.59	479.77	484.10	583.51 (15/11/91)	394.88 (15/1/91)
CAC 40 (31/12/87)	1837.44	1833.86	1785.64	1778.73	1887.29 (1/10/91)	1425.26 (15/1/91)
GERMANY						
FAZ Aktien (31/12/58)	651.52	646.35	643.26	648.88	717.43 (17/6/91)	570.48 (15/1/91)
Commerzbank (1/12/53)	1840.7	1819.3	1813.8	1830.2	2035.2 (31/5/91)	1612.5 (15/1/91)
DAX (30/12/87)	1615.71	1589.76	1578.73	1592.45	1715.80 (11/6/91)	1311.82 (16/1/91)
HONG KONG						
Hang Seng Bank (31/7/64)	4348.92	4334.54	4337.67	4347.93	4348.92 (10/1/92)	2984.01 (16/1/91)
IRELAND						
ISEQ Overall (4/1/88)	1406.68	1397.50	1391.49	1398.87	1520.65 (15/3/91)	1114.86 (25/1/91)
ITALY						
Banca Com. Ital. (1972)	531.76	523.52	516.96	514.29	619.38 (3/6/91)	482.89 (10/12/91)
JAPAN						
Nikkei (16/5/49)	22381.98	23113.64	22715.00	23566.39	27146.91 (18/3/91)	21456.76 (19/8/91)
Tokyo SE (Topix) (4/1/68)	1660.16	1699.41	1693.39	1746.67	2028.85 (18/3/91)	1625.00 (17/1/91)
2nd Section (4/1/68)	2405.26	2422.58	2437.14	2457.78	3423.45 (18/5/91)	2405.26 (10/1/92)
MALAYSIA						
KLSE Composite (4/4/86)	551.9	552.37	553.48	555.66	636.02 (29/5/91)	470.41 (16/1/91)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	277.1	277.5	274.0	275.3	284.8 (5/6/91)	221.4 (16/1/91)
CBS All Shr (End 1983)	194.6	194.9	192.4	193.4	203.1 (5/6/91)	162.3 (16/1/91)
NORWAY						
Oslo SE (Ind) (2/1/83)	689.66	691.35	684.87	696.47	793.53 (26/8/91)	595.77 (2/12/91)
PHILIPPINES						
Manila Comp (2/1/85)	1219.83	1208.09	1227.39	1241.48	1241.48 (7/1/92)	582.64 (10/1/91)
SINGAPORE						
SES All-Singapore (2/4/75)	406.85	407.37	408.55	408.69	422.43 (26/4/91)	315.87 (16/1/91)
SOUTH AFRICA						
JSE Gold (28/9/78)	1275.0ǂ	1226.0	1199.0	1163.0	1469.0 (5/7/91)	971.0 (25/2/91)
JSE Industrial (28/9/78)	4422.0ǂ	4376.0	4309.0	4274.0	4422.0 (10/1/92)	2829.0 (16/1/91)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	619.47	637.11	625.85	645.27	763.10 (6/8/91)	586.51 (23/12/91)
SPAIN						
Madrid SE (30/12/85)	253.09	253.21	248.38	246.68	289.22 (18/3/91)	213.70 (14/1/91)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	954.0	946.2	928.4	928.3	1149.8 (11/7/91)	808.4 (8/1/91)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	762.6	758.7	748.5	750.1	769.3 (14/11/91)	590.4 (14/1/91)
SBC General (1/4/87)	615.8	612.2	601.1	603.0	630.0 (31/5/91)	487.1 (14/1/91)
TAIWAN**						
Weighted Price (30/6/66)	4782.82	4803.51	4772.61	4718.81	6305.22 (9/5/91)	3316.26 (15/1/91)
THAILAND						
Bangkok SET (30/4/75)	727.63	725.70	723.96	728.93	908.13 (19/4/91)	582.48 (16/1/91)
WORLD						
M.S. Capital Intl.(1/1/70) (*)	525.5*	536.4	535.3	542.1	542.1 (7/1/92)	439.1 (16/1/91)

** Saturday January 4: Taiwan Weighted Price: (c); Korea Comp Ex. (c).
ǂ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed, (u) Unavailable.

AMERICA

Poor jobless data spark heavy selling

Wall Street

US stocks ran into their first major setback since mid-December yesterday morning, as disturbing employment news sparked heavy selling across all markets, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 17.22 at 3,192.31, while the more broadly based Standard & Poor's 500 had fallen 3.61 to 414.00. Even the Nasdaq composite index of over-the-counter stocks, the star performer of recent days, succumbed to sellers, dropping 7.33 to 612.47. NYSE turnover was 150m shares, and declines outpaced rises by more than two to one, an indication of the downward pressure.

At first glance, the employment data for December were ambiguous. Although the headline unemployment rate rose a sharp one-fifth of a percentage point to 7.1 per cent – the highest since 1986 – the number of people employed on non-farm payrolls rose last month, by 31,000.

Although analysts had expected a sizeable fall in payrolls, the figure was not as promising as it looked, because the bulk of the rise in employment was restricted to government agencies. Private sector employment actually fell by 35,000, and it was this that weighed heaviest on investors' minds. Part of the selling, however, was a natural reaction to strong recent gains, and few analysts argued that yesterday's declines were a prelude to a major correction in equity prices.

Among individual stocks, a rare blue-chip gain was recorded by Sears, Roebuck, the giant retailer, which climbed $1⅝ to $38⅞ on comments from the company claiming that it saw "encouraging" signs of consumer activity in recent sales.

The day's biggest decline was in Employee Benefits Plan, which plummeted $30⅝ to $29⅞ in turnover of 2m shares after the company reported fiscal second quarter profits well below analysts' expectations.

Thiokol jumped $1⅞ to $15⅝ after investors reacted positively to a "buy" recommendation from Bear Stearns, the Wall Street broking house.

Car manufacturers tumbled at the end of a week which saw dreadful 1991 sales figures and a difficult trip to Japan by top management in seek of concessions on trade. Chrysler slipped $⅛ to $12⅞, General Motors fell $1¼ to $31 and Ford tumbled $1 to $29½.

On the over-the-counter market, Aldus slumped $8⅝ to $33⅝ after the company estimated fourth quarter profits at between 27 cents and 32 cents a share, down from last year's 51 cents a share and well below expectations.

Sun Microsystems bucked the trend, rising $1⅝ to $30¼ in turnover of 2.7m shares after two broking houses, Dean Witter and Kidder Peabody, raised their earnings estimates for the fiscal second quarter, which ended last month.

Canada

TORONTO stocks trimmed their early gains to trade almost unchanged in active midday trading. The TSE-300 was up 1.70 at 3,582.30 in 23.6m shares. Advances led declines by 256 to 181 with 213 unchanged.

Bank stocks stayed be firm, with Toronto Dominion Bank, the most heavily traded, up C$⅛ at C$19 in 853,269 shares. Among most active stocks, John Labatt rose C$⅜ to C$27 in 1.17m shares.

Oil stocks followed the oil price lower. Ranger Oil was off C$⅛ at C$7⅞ in 714,550 shares.

Biomira continued strong, up C$1⅝ at C$22 in more than 240,000 shares.

SOUTH AFRICA

JOHANNESBURG rose to another high on a rally in gold shares and a weaker financial rand. The all-gold index added 49 to 1,275 and the industrial index rose 46 to a record 4,422. The all-share index closed at a record 3,644, up 57.

Denmark provides relief for gloomy Nordic year

Robert Taylor looks back on 1991, a year investors in Scandinavian equities would rather forget

For the Nordic stock markets (Copenhagen apart) 1991 was a year they would prefer to forget, even though their overall performance improved on 1990, when the FT-Actuaries Nordic index fell by 25 per cent. Last year it rose by 10.5 per cent, but this was below the 14.4 per cent increase in the FT-Actuaries World Index, and investors suffered a lot at times.

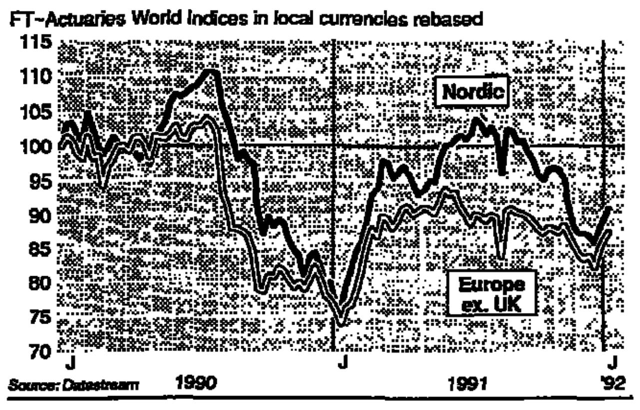
A 1991 Nordic overview hides significant differences between the region's stock markets. During the first half of last year, in the aftermath of the Gulf war, all of them appeared to recover from their lacklustre performances in 1990. But from mid-summer onwards the picture darkened outside Copenhagen.

The worst performer in 1991 was Helsinki where the FT-Actuaries Finland index dropped by 13.7 per cent in local currency, and 24.4 per cent in dollar terms. Turnover fell 60 per cent to its lowest point since 1987. The year started well with a 20 per cent rise in the index during the first quarter but after that, the decline was remorseless, except for a a short-lived upturn in July and a temporary stabilising in the late autumn.

The Helsinki bourse reflected the deterioration in the Finnish economy in 1991 as production plummeted and unemployment rose. Fewer than 20 out of the 63 listed companies made a profit last year and total combined losses amounted to over FM13bn ($3.2bn). Market capitalisation fell from FM160bn to FM64bn.

The banking sector was the hardest hit as credit losses escalated. Kansallis Osake Pankki, the country's second-largest commercial bank saw it share price more than halve, while Union Bank's shares suffered a drop of one-third. Finland's paper and pulp companies were not in much better shape either and they face little prospect of a sustained recovery before 1993. The virtual disappearance of trade with the Soviet Union added to the worries of many manufacturing companies.

For most of the year, Helsinki was plagued by speculation about the markka's devaluation. Persistent government denials that this would not happen failed to reassure investors. Not even the decision to link the currency to the European Currency Unit in June settled the argument. As foreign confidence ebbed away



and interest rates soared to over 20 per cent, by November the government was forced to agree to a 12.3 per cent devaluation as the only way out.

The Oslo exchange also suffered a severe setback in 1991 with a NKr22.7bn ($3.8bn) drop in share values and a decline of 11.2 per cent in the FT-Actuaries Norway index. There was a widening gap between the performance of shares linked to the mainland economy which remained in recession and the offshore oil and gas sector which prospered.

The trouble lay in the Norway's banking and financial sector where mounting credit losses threatened the existence of many leading banks and forced the government to intervene in the autumn with a NKr11.5bn rescue package to save them from collapse. The domestic banking index nose-dived by 78.5 per cent during the year as NKr8.58bn was wiped off share values. The worst hit were shares in den Norske bank which suffered a 94 per cent fall in 1991.

Stockholm's performance was equally dismal. The 5.5 per cent increase in the Affärsvärlden General index for the year was an improvement on the 29.7 per cent fall in 1990, the bourse's worst performance this century, but it was still a disappointment.

Between January and July, the index recovered by 40 per cent, triggered by a number of large deals, including the acquisition of Saab-Scania by Investor/Providentia and Tetra Pak's purchase of Alfa Laval. Confidence was also growing that the recession was over.

But the optimism proved to be misplaced. Between midsummer and the end of the year the index fell by 24 per cent as it became clear that Sweden's economy was still in a downturn. The halving in property prices ended the boom in Swedish real estate, and many companies revealed profit declines or even losses in their autumn interim reports. Leading banks announced huge credit losses and the Swedish government had to bail out the country's largest savings bank, and rescue Nordbanken.

Interest rates stayed high in an attempt to convince sceptical overseas investors that the krona was not about to be devalued. The Swedish decision to peg the krona to the European Currency Unit in May did not quell foreign speculation that the authorities might still manipulate the currency to improve competitiveness.

However, a six-point rise in the Central Bank's lending rate to banks to 17.5 per cent in December to stem the outflow of foreign capital helped to calm nerves. The abolition of the 1 per cent turnover tax on share trading in the same month helped the bourse to make a year-end rally.

Copenhagen was the only bright light with a 16.2 per cent rise. Traditionally a stable, defensive market dominated by domestic investors in family-controlled foundations and institutions, it aroused considerable foreign interest. The strong performance of the Danish economy added to the optimistic climate.

It seems unlikely that Copenhagen will set an upward trend for the other Nordic markets this year. Much depends on what happens to the world economy. But observers believe that steps to further open Nordic bourses to foreign investors should boost liquidity and stimulate some revival, even if the region's economic outlook remains grim.

EUROPE

Bourses run into profit-taking after recent strength

Continental bourses saw some profit-taking yesterday after a generally firm start to the year, *writes Our Markets Staff.*

FRANKFURT rose on hopes that steelworkers, due to talk to employers again tomorrow, could settle for 5.3 per cent. The Bundesbank's average bond yield dropped another 7 basis points to 8.18 and steels and engineering shares led the equity market up.

The FAZ index put on 7.18 to 652.51 at midsession, almost unchanged on the week, but the DAX closed 25.95 higher at 1,615.71, up 0.8 per cent on the week. Volume rose from DM4.7bn to DM6.2bn.

However, some question were raised after hours. Mr Michael Geiger of County NatWest said that steels could be brought back to earth next week by the Thyssen Stahl press conference which was likely to shed more light on the depressed state of the industry. Furthermore, Mr Hans Tietmeyer, deputy president of the Bundesbank, forecast high interest rates for the foreseeable future.

FT-SE Eurotrack 100 - Jan 10

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1103.52	1103.61	1104.03	1105.58	1105.95	1106.87†	1107.06†	1105.40

Day's High N/A — Day's Low N/A

Jan 9	Jan 8	Jan 7	Jan 6	Jan 3
1100.02	1090.21	1086.06	1092.05	1087.01

Base value 1000 (26/10/90). † Indicative.

PARIS failed to build on Thursday's gains, as profit-taking emerged after the market's recent rise. The CAC-40 index rose 3.58 at 1,837.44, up 3.8 per cent on the week, in turnover of FFr3.8bn after FFr4bn.

Elf continued to weigh on the index, losing FFr8.60 to FFr355.90 in the day's heaviest turnvoer of 767,100 shares. The stock fell 5.7 per cent on the week on lower oil prices and reports of earnings downgrades. There were also rumours that the government would force Elf to buy into the ailing Groupe Bull.

The drinks company Remy made a rare appearance in the most actives list, as it fell FFr3 to FFr210 in 328,600 shares. Dealers attributed the high volume to an internal crossing of treasury stock.

Crédit Local de France continued its quiet recovery. The stock fell as low as FFr190.10 since its flotation in December but yesterday it closed FFr3.80 higher at FFr209.80, just below the issue price of FFr210.

MILAN was encouraged by the near-certainty that the general election would be held in the first half of April. Dealers also attributed the firmer tone to short-covering ahead of Monday's expiration of the monthly options.

The Comit index rose 8.24 to 531.76, a rise of 4.7 per cent on the week. Turnover was estimated at near Thursday's L102.6bn. Turnover has doubled since the start of the year, reflecting the new requirement that all trading on behalf of third parties must be conducted on the bourse.

Generali touched L30,000 before closing up L600 or 2.1 per cent at L29,550.

ZURICH was inspired by interest rate hopes as the Crédit Suisse index rose 3.6 to 465.7, slightly higher on the week, in good volume. MADRID saw lively trade, turnover rising from Pta16.5bn to Pta22bn, but profit-taking left the general index 0.12 lower at 253.09, up 3.9 per cent on the week.

BRUSSELS continued to focus on retailers, with Colruyt closing up 4.1 per cent or BFr200 at an all-time high of BFr5,100 after the company announced a 62 per cent rise in six-month profits late on Thursday. The Bel-20 index closed up 6.06 to 1,107.00, little changed on the week, in heavy turnover of BFr1.07bn.

AMSTERDAM was lifted by the dollar and a cut in domestic interest rates. Dealers detected interest from international investors, since Amsterdam has lagged behind the rest of Europe. The CBS Tendency index rose 0.6 to 116.2, up 2.3 per cent on the week.

The photocopier and office systems maker Océ-van der Grinten soared Fl 3.50 or 5.5 per cent to Fl 67 as the company's forecast of an 18 per cent gain in 1991 net profit to Fl 101m surprised the market.

STOCKHOLM advanced for the fifth consecutive session in heavy trading, but was worried by specific proposals for drug prices in yesterday's budget. Astra A fell SKr15 to SKr580 as the Affärsvärlden General index rose 7.8 to 954.0, up 3.5 per cent on the week. HELSINKI gained 2.2 per cent on the day and 6.1 per cent on the week as the Hex index closed 18 higher at 829.9.

ASIA PACIFIC

Nikkei drops 3.2 per cent to low for 1992

Tokyo

INVESTMENT TRUST and futures-linked arbitrage selling pushed the Nikkei average down by 3.2 per cent yesterday, to the lowest level since the Bank of Japan's December 30 official discount rate cut, *writes Neil Weinberg in Tokyo.*

The index closed 731.34 lower at 22,381.90, 2.6 per cent down on the week, after a day's high of 23,018.24 at the opening, and low of 22,203.03. Volume rose from 196m to 230m shares. Advanced led declines 816 to 134 with 146 unchanged, the Topix index of all-first-section issues fell 39.25 to 1,660.16 and, in London, the ISE/Nikkei 50 index fell 0.78 to 1,247.57.

Prices fell sharply in the morning, under pressure from losses in March index futures prices, and there was continued selling from investment trusts facing widespread redemptions prior to their March 31 book-closing. City banks are bailing out of investment trusts and offsetting the losses with bond dealing gains, said Mr Yoichi Kamina, director of Japanese equity sales at SG Warburg Securities.

Word that the Finance Ministry was holding discussions with various securities houses about the influence of futures arbitrage trading on the stock market also sparked concern that new restrictions could be forthcoming next week and further depressed the market, another trader said.

High technology issues were broadly lower, with Toshiba down Y23 at Y612 and NEC Y40 at Y1,180. Drug companies were also off, with Daiichi Pharmaceutical losing Y80 to Y1,560 and Dainippon Pharmaceutical Y60 to Y1,440.

NTT ended at the record low of Y720,000 touched twice last year. Kyocera gained Y110 to Y4,070 on prospects for lower losses than previously expected.

Honda lost ground for the fourth consecutive day on a weak earnings outlook, ending off Y30 at Y1,390.

In Osaka, the OSE average declined 370.25 to 23,661.41 on volume of 21m shares.

Roundup

THE REGION offered a mixed, but muted reaction to Tokyo's fall.

HONG KONG registered another all-time high, gaining 14.38 to 4348.2 for a rise of 1 per cent on the week. Turnover climbed from HK$1.44bn to HK$2.15bn.

Brokers said that fund managers were restructuring their portfolios by buying laggards such as Hutchison Whampoa and New World and dumping the over-bought banks. The heavy volume, was attributed to good turnover in the active blue-chips, and overseas buying.

AUSTRALIA's metals, mining, gold and resources shares, all relying largely on foreign exchange for their earnings, were aided by a fall in the Australian dollar and a stronger price for gold bullion.

Industrials were little changed and oil and gas stocks lost ground in line with weak oil prices, but the All Ordinaries index still rose 6.0 to 1,668.0, 0.5 per cent higher on the week. The NEW ZEALAND dollar rose against its Australian counterpart and this left the NZSE-40 Index 1.21 lower at 1,518.35.

SINGAPORE closed above the day's lows, but the Straits Times Industrial index still ended 2.44 lower at 1,488.07, fractionally higher on the week in quiet trading. SEOUL dropped 2.8 per cent on the day but just 0.8 per cent on the week as the composite index fell 17.64 to 619.47 after reports of foreign selling.

TAIWAN saw profit-taking in heavy trading, and fell after eight rising sessions. The weighted index closed 20.69 lower at 4782.82 for a rise on the week of 5.3 per cent. Turnover rose from T$38.4bn to T$42.4bn.

MANILA was encouraged by Thursday's rise in Philippine Long Distance Telephone on the American Stock Exchange in New York and the composite index advanced 11.74 to 1,219.83, fractionally down on the week.

BANGKOK took losses in most shares but Bangkok Bank was heavily bought for the second day and its gain pushed the stock index to a higher close.

Bangkok Bank rose Bt2 to Bt522 with Bt1.29bn of shares changing hands, equal to 26.5 per cent of the total market turnover. The SET index ended 1.93 higher at 727.63 on turnover of Bt4.84bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JANUARY 9 1992								WEDNESDAY JANUARY 8 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	148.91	−1.5	120.74	118.06	119.81	132.67	−0.1	4.19	151.25	119.78	119.36	119.13	132.79	160.31	112.74	113.49
Austria (20)	169.42	−0.4	137.37	134.35	136.31	134.39	+0.3	2.16	170.08	134.70	134.23	133.96	134.01	222.37	153.86	179.57
Belgium (47)	142.29	−1.5	115.37	112.82	114.47	111.76	+0.5	5.30	144.51	114.45	114.04	113.82	111.19	151.20	118.04	125.60
Canada (115)	138.70	+0.8	112.46	109.98	111.58	115.40	+1.4	3.19	137.55	108.94	108.55	108.33	113.85	144.28	128.49	128.11
Denmark (37)	271.55	−0.5	220.18	215.34	218.47	219.28	+0.4	1.63	272.82	216.07	215.31	214.88	218.46	273.94	217.74	222.49
Finland (15)	84.17	+1.9	68.25	66.75	67.72	72.77	+1.9	3.35	82.61	65.43	65.20	65.07	71.42	125.15	73.32	92.95
France (109)	152.32	+0.3	123.51	120.78	122.54	126.16	+2.3	3.51	151.93	120.32	119.89	119.65	123.33	152.33	119.11	127.61
Germany (65)	115.93	−1.6	94.00	91.94	93.27	93.27	+0.3	2.47	118.08	93.52	93.20	93.01	93.01	125.35	94.15	107.50
Hong Kong (55)	178.19	−0.1	144.48	141.30	143.37	177.62	+0.0	4.19	178.34	141.24	140.74	140.47	177.67	179.04	119.62	122.90
Ireland (18)	167.69	−0.9	135.97	132.98	134.91	137.49	+1.1	3.65	169.29	134.08	133.61	133.34	136.04	182.46	132.88	138.51
Italy (77)	76.89	−0.3	62.33	60.96	61.85	67.17	+1.8	3.45	77.13	61.09	60.87	60.75	66.01	88.23	64.76	74.89
Japan (474)	133.99	−0.1	108.64	106.25	107.81	106.25	+0.4	0.80	134.10	106.20	105.83	105.63	105.83	146.97	118.23	122.67
Malaysia (68)	214.74	−0.2	174.12	170.28	172.77	223.76	−0.1	2.92	215.20	170.43	169.83	169.50	224.07	247.78	189.18	198.51
Mexico (18)	1451.36	+2.2	1176.79	1150.91	1167.68	4875.56	+2.2	1.07	1419.90	1124.54	1120.58	1118.38	4769.90	1451.36	534.45	558.50
Netherland (31)	152.77	−0.6	123.87	121.14	122.91	121.42	+1.4	4.45	153.63	121.67	121.24	121.01	119.69	155.45	125.70	129.43
New Zealand (14)	47.32	−0.6	38.37	37.52	38.07	46.11	+0.4	5.98	47.58	37.68	37.55	37.48	45.93	54.64	41.18	41.65
Norway (25)	182.26	−1.2	147.78	144.54	146.64	149.48	+0.1	1.74	184.41	146.05	145.54	145.25	149.30	223.24	157.08	187.30
Singapore (38)	221.24	−0.9	179.38	175.44	177.99	165.68	−0.5	2.10	223.14	176.73	176.11	175.76	166.74	223.53	151.63	157.01
South Africa (61)	262.05	+1.5	212.48	207.80	210.83	180.41	+1.5	2.73	258.14	204.44	203.72	203.32	177.71	271.99	173.00	182.26
Spain (52)	158.19	+0.2	128.27	125.45	127.27	117.99	+2.1	4.68	157.91	125.06	124.62	124.37	115.56	171.12	131.51	135.47
Sweden (25)	183.95	+0.0	149.15	145.87	148.00	153.59	+2.0	2.90	183.96	145.69	145.18	144.90	150.53	204.12	146.60	151.04
Switzerland (59)	101.64	−0.6	82.41	80.61	81.79	87.12	+1.7	2.30	102.29	81.01	80.73	80.58	85.68	103.50	82.17	84.80
United Kingdom (234)	181.73	−1.2	147.35	144.09	146.19	147.35	+1.2	5.05	183.86	145.62	145.09	144.81	145.62	187.44	156.27	160.67
USA (523)	170.52	+0.0	138.26	135.22	137.19	170.52	+0.0	2.86	170.57	135.09	134.62	134.36	170.57	170.69	125.95	127.18
Europe (814)	146.86	−0.9	119.08	116.48	118.16	119.20	+1.3	4.04	148.15	117.33	116.92	116.69	117.68	151.52	125.50	129.70
Nordic (102)	187.07	−0.3	151.68	148.34	150.50	148.03	+1.0	2.18	187.64	148.61	148.09	147.79	146.53	200.81	155.55	158.50
Pacific Basin (718)	135.46	−0.2	109.83	107.42	108.98	106.97	+0.3	1.12	135.67	107.45	107.07	106.86	106.59	145.92	117.86	121.99
Euro - Pacific (1532)	140.34	−0.5	113.79	111.28	112.90	113.63	+0.7	2.34	140.98	111.65	111.25	111.03	112.99	147.66	121.29	125.46
North America (638)	168.49	+0.0	136.61	133.62	135.56	166.76	+0.0	2.87	168.47	133.43	132.97	132.72	166.70	168.57	125.91	127.14
Europe Ex. UK (580)	125.74	−0.6	101.95	99.73	101.18	102.96	+1.4	3.30	126.56	100.23	99.90	99.70	101.56	129.80	103.58	110.87
Pacific Ex. Japan (244)	149.96	−0.8	121.59	118.93	120.66	135.32	−0.1	3.93	151.15	119.71	119.30	119.06	135.45	153.19	111.40	113.32
World Ex. US (1726)	142.41	−0.3	115.47	112.94	114.58	115.75	+0.8	2.36	142.81	113.18	112.79	112.57	114.84	148.16	122.32	126.35
World Ex. UK (2015)	147.86	−0.1	119.89	117.26	118.97	131.15	+0.4	2.27	148.04	117.25	116.84	116.62	130.63	150.58	120.06	122.22
World Ex. So. Af. (2188)	150.09	−0.3	121.70	119.03	120.76	132.29	+0.5	2.55	150.47	119.17	118.76	118.52	131.68	153.05	122.92	125.29
World Ex. Japan (1775)	161.15	−0.3	130.66	127.80	129.67	147.60	+0.5	3.31	161.62	128.00	127.56	127.32	146.84	161.90	126.69	128.42
The World Index (2249)	150.82	−0.2	122.29	119.61	121.35	132.72	+0.5	2.55	151.17	119.72	119.31	119.08	132.09	153.70	123.28	125.64

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
12¾pc 1992‡‡		100¼xd	—	101½	100⅛	12.73	–
10pc 1992		99[illegible]	+[illegible]	100[illegible]	97[illegible]	10.01	10.39
2pc IL 1992‡‡		135[illegible]	+[illegible]	135[illegible]	125[illegible]	2.63	8.52
8pc 1992‡‡		99[illegible]	—	99[illegible]	95[illegible]	8.05	10.19
10½pc Cv 1992‡‡		100	—	100[illegible]	98½	10.50	10.35
3pc 1992		97[illegible]	+[illegible]	97[illegible]	91[illegible]	3.07	8.24
Exch 12¼pc 1992		101[illegible]	+[illegible]	102[illegible]	100[illegible]	12.12	10.37
13½pc 1992		102[illegible]	+[illegible]	104[illegible]	101[illegible]	13.22	10.27
Treas 8¾pc 1993		99[illegible]	+[illegible]	99[illegible]	94	8.80	9.98
10pc 1993‡‡		100[illegible]	+[illegible]	100¾	97[illegible]	9.98	9.93
12½pc 1993‡‡		103[illegible]xd	+[illegible]	104[illegible]	102[illegible]	12.07	10.03
Funding 6pc 1993‡‡		95[illegible]	—	95[illegible]	89[illegible]	6.29	9.93
Treas 13¾pc 1993‡‡		106[illegible]	−[illegible]	108[illegible]	105[illegible]	12.94	10.02
8½pc 1994		97¾xd	+[illegible]	97[illegible]	92[illegible]	8.68	9.78
14½pc 1994‡‡		108[illegible]	+[illegible]	111[illegible]	108[illegible]	13.34	9.96
Exch 13½pc 1994		107[illegible]	—	109	105[illegible]	12.59	9.97
Treas 10pc Ln 1994‡‡		100[illegible]	−[illegible]	101[illegible]	96[illegible]	9.96	9.84
Exch 12½pc 1994		105[illegible]	−[illegible]	107[illegible]	103[illegible]	11.82	9.97
Treas 9pc 1994‡‡		98[illegible]	−[illegible]	99[illegible]	93[illegible]	9.17	9.75
12pc 1995		105[illegible]xd	−[illegible]	106[illegible]	102[illegible]	11.37	9.86
Exch 3pc Gas 90-95		90½	—	[illegible]	82[illegible]	3.30	6.51
10¼pc 1995		101[illegible]xd	−[illegible]	102[illegible]	96[illegible]	10.12	9.84
Treas 12¾pc 1995‡‡		109[illegible]	−[illegible]	110[illegible]	105[illegible]	11.69	9.82
14pc 1996		112¾xd	−[illegible]	114[illegible]	109[illegible]	12.48	10.05
9pc 1992-96‡‡		98[illegible]	−[illegible]	99[illegible]	92[illegible]	9.12	9.41
15¼pc 1996‡‡		118	−[illegible]	119[illegible]	115[illegible]	12.92	10.01
Exch 13¼pc 1996‡‡		111[illegible]	−[illegible]	112[illegible]	106	11.90	9.98
Conversion 10pc 1996		100[illegible]	−[illegible]	101[illegible]	95[illegible]	9.92	9.78
Five to Fifteen Years							
Treas 13¼pc 1997‡‡		112[illegible]xd	−[illegible]	114[illegible]	108[illegible]	11.78	9.94
Exch 10½pc 1997		102[illegible]	−[illegible]	103[illegible]	97[illegible]	10.21	9.76
Treas 8¾pc 1997‡‡		96[illegible]	−[illegible]	96[illegible]	90[illegible]	9.10	9.67
Exch 15pc 1997		121[illegible]	−[illegible]	123[illegible]	117	12.36	10.04
9¾pc 1998		100¼xd	−[illegible]	100[illegible]	93[illegible]	9.73	9.73
Treas 6¾pc 1995-98‡‡		89[illegible]	−[illegible]	89	80[illegible]	7.62	9.21

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
15½pc '98‡‡		127[illegible]	−[illegible]	128[illegible]	121[illegible]	12.20	9.90
Exch 12pc 1998		110[illegible]	−[illegible]	111[illegible]	104[illegible]	10.83	9.81
Treas 9½pc 1999‡‡		99[illegible]xd	−[illegible]	100[illegible]	92[illegible]	9.51	9.54
Exch 12¼pc 1999		112[illegible]	−[illegible]	113[illegible]	105[illegible]	10.89	9.82
Treas 10½pc 1999		104[illegible]	−[illegible]	104[illegible]	97[illegible]	10.07	9.70
Conversion 10¼pc 1999		103[illegible]	−[illegible]	103[illegible]	95[illegible]	9.94	9.70
9pc 2000‡‡		97[illegible]	−[illegible]	97[illegible]	89[illegible]	9.25	9.52
Treas 13pc 2000		118[illegible]xd	−[illegible]	118[illegible]	110½	11.01	9.65
10pc 2001		102[illegible]	−[illegible]	103[illegible]	94[illegible]	9.76	9.59
14pc '98-01		118¾	−[illegible]	119[illegible]	113[illegible]	11.79	9.97
9¾pc 2002		101½	−[illegible]	102[illegible]	92[illegible]	9.61	9.53
10pc 2003		103[illegible]	−[illegible]	104[illegible]	94[illegible]	9.66	9.49
Treas 11½pc 2001-04		118[illegible]	−[illegible]	111	102	10.42	9.79
Funding 3½pc '99-04		61[illegible]xd	−[illegible]	62[illegible]	53[illegible]	5.67	8.54
Conversion 9½pc 2004		100[illegible]	−[illegible]	101[illegible]	90[illegible]	9.48	9.48
9½pc 2004 A		100[illegible]	−[illegible]	101[illegible]	96[illegible]	9.48	9.48
9½pc 2005		100[illegible]	−[illegible]	101[illegible]	90[illegible]	9.48	9.47
Treas 12½pc 2003-05		120[illegible]	−[illegible]	122	111	10.33	9.62
8pc 2002-06‡‡		88[illegible]	−[illegible]	89[illegible]	79[illegible]	9.03	9.44
Over Fifteen Years							
Treas 11¾pc 2003-07		115[illegible]xd	−[illegible]	116	105[illegible]	10.21	9.52
8½pc 2007‡‡		93xd	−[illegible]	93[illegible]	84[illegible]	9.14	9.35
8½pc 2007 A		28[illegible]	—	28[illegible]	18[illegible]	9.07	9.35
13½pc '04-08		128[illegible]	−[illegible]	129½	118[illegible]	10.51	9.52
9pc 2008‡‡		97[illegible]	−[illegible]	98[illegible]	88[illegible]	9.25	9.31
8pc 2009		88¾	−[illegible]	89½	80	9.01	9.30
Conv 9pc Ln 2011‡‡		97[illegible]	−[illegible]	98[illegible]	88[illegible]	9.24	9.29
9pc 2011 B		97[illegible]	−[illegible]	98[illegible]	93[illegible]	9.25	9.29
Treas 5½pc 2008-12‡‡		65[illegible]	−[illegible]	66[illegible]	58[illegible]	8.38	9.26
7¾pc 2012-15‡‡		85[illegible]xd	−[illegible]	85[illegible]	76[illegible]	9.11	9.33
Exch 12pc '13-'17		124[illegible]	−[illegible]	125[illegible]	113[illegible]	9.64	9.35
Undated							
Consols 4pc		41[illegible]xd	—	41[illegible]	37[illegible]	9.65	–
War Loan 3½pc‡‡		37[illegible]	+[illegible]	37[illegible]	33[illegible]	9.41	–
Conv 3½pc '61 Aft		60[illegible]	+[illegible]	60[illegible]	57[illegible]	5.79	–
Treas 3pc '66 Aft		30[illegible]	—	30[illegible]	28[illegible]	9.87	–
Consols 2½pc		26	—	26[illegible]	23[illegible]	9.62	–
Treas. 2½pc		25[illegible]	+[illegible]	26[illegible]	23[illegible]	9.66	–

BRITISH FUNDS - Cont.

Index-Linked	Notes (b)	Price £	+ or -	1991/92 high	1991/92 low	Yield Int. (1)	Yield Red. (2)
Treas. 2pc '94	(102.9)	123½	−⅛	123¾	115[illegible]	2.86	3.91
2pc '96	(67.9)	177[illegible]	−[illegible]	177[illegible]	168[illegible]	3.61	4.05
2½pc '01	(78.3)	144[illegible]	−[illegible]	145[illegible]	137[illegible]	4.02	4.31
2½pc '03	(78.8)	140[illegible]	−[illegible]	141[illegible]	133	4.08	4.33
2pc '06	(69.5)	142[illegible]xd	−[illegible]	143[illegible]	135	4.15	4.35
2½pc '09	(78.8)	130¼	−[illegible]	131[illegible]	124[illegible]	4.17	4.35
2½pc '11	(74.6)	134¼	−[illegible]	136[illegible]	128[illegible]	4.17	4.34
2½pc '13	(89.2)	110[illegible]xd	−[illegible]	111[illegible]	105[illegible]	4.18	4.33
2½pc '16	(81.6)	117[illegible]xd	−[illegible]	118[illegible]	113[illegible]	4.17	4.32
2½pc '20	(83.0)	112[illegible]	−[illegible]	113[illegible]	109½	4.17	4.30
2½pc '24‡‡	(97.7)	93[illegible]xd	−[illegible]	95[illegible]	90[illegible]	4.16	4.27

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1991: 133.1 and for November 1991: 135.6.

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		107[illegible]	−[illegible]	107[illegible]	95[illegible]	10.70	10.15
Asian Dev 10¼pc 2009		102[illegible]	−[illegible]	102[illegible]	91[illegible]	10.33	9.88
B'ham 11½pc 2012		105½	+½	105½	100½	11.33	10.85
Ireland Cap 8½pc '10		99	+¼	99	88½	8.98	–
9pc Cap 1996		98¾	+¼	99	93	9.17	–
13pc '97-02		114½	—	115	109½	11.35	–
GLC 6¾pc 1990-92		99[illegible]	+⅛	99[illegible]	93½	6.82	8.50
Hydro Quebec 15pc 2011		132[illegible]	−[illegible]	133[illegible]	120[illegible]	11.3	10.58
Int-Am Dev 12½pc 2003		116	−[illegible]	116[illegible]	105[illegible]	11.09	10.05
9¾pc 2015		97[illegible]	−[illegible]	98[illegible]	86[illegible]	10.37	10.00
Leeds 13½pc 2006		119½	−¼	119½	110½	11.89	10.92
Liverpool 3½pc Irred		30½	−¼	31	28	11.07	–
LCC 3pc '20 Aft		27½	−¼	27¾	26	11.11	–
Manchester 11½pc 2007		105	−¼	106¼	97½	11.27	10.70
Met. Wtr. 3pc 'B'		64½	−¼	65	52	5.77	9.84
N'wide Anglia 3¾pc 2021		104½xd	—	106¼	102	–	5.54
4¼pc IL 2024		105¾	−¼	107¾	104	–	5.19
Utd Mex States 16½pc 2008		125¼	+¼	125½	101	13.39	12.80

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	36xd	+⅛	36⅝	20⅞	15,309	1.5
Allegheny & W	234p	−18	395p	218p	121.6	6.8
Amdahl	891pxd	+33	10¼	667p	977.9	0.8
Amer Cyanamid	36¼	+¾	42⅛	25⅝	3,389	2.2
Amer Express	12⅝xd	+½	17⅞	9	5,674	4.5
Amer T & T	22xd	+½	24½	15⅝	29,387	3.1
Ameritech	35¾	+⅝	38⅞	32½	15,852	5.1
BankAmerica	21⅞xd	+⅝	28	12	4,847	3.0
Bankers NY	35½xd	+1	38	20	2,817	7.3
Bell Atlantic	26xd	+⅜	30½	24¼	10,225	5.2
BellSouth	28⅞	+⅛	31⅝	25	13,763	5.2
Bethlehem Steel	7xd	+	11¼	6	567.4	2.9
Bowater	1230p	+74	1590p	1042p	444.7	5.2
CPC	47⅝xd	+1	54	37	3,599	2.2
California Engy	770p	+31	930p	420p	141.1	—
Campbell Soup h	22⅛	+⅛	25	14⅛	5,567	1.7
Chase Manhattan	10⅞	+	12¾	5	1,478	6.0
Chrysler	7¼xd	+	9	5	2,042	4.5
Citicorp	5xd	+	10	4⅝	1,996	—
Colgate-Palm	27⅝xd	+1	27⅝	21	4,017	2.0
Cont'l Bank	592p	+33	920p	430p	698.2	5.4
Dana	16⅞xd	+1	21⅝	13⅝	693.6	5.1
Data General	936p	+21	1282p	2030	258.3	—
Digi	26⅝xd	+	28⅝	12⅞	1,857	2.8
Dun & Brad	29⅞	−⅛	30⅝	20¾	5,242	3.9
Eaton	36⅞	+1⅝	40	24¼	1,238	3.2
Echlin	7⅝xd	+	8½	5½	425.8	4.9
FPL	19⅝xd	+⅜	20½	14	3,326	6.5
Fluor	24⅝xd	+½	30	17	1,993	0.9
Ford Motor	18¾xd	+½	23¼	13	7,929	3.2
Gen Elect	40xd	+	40	28	35,367	2.7
General Host	434p	−13	586p	270p	—	4.4
Gillette	29½xd	+⅝	45¾	20⅞	6,460	1.1
Hasbro	22½	+¾	22½	794p	1,290	0.8
Honeywell	38⅝xd	+½	38⅝	21¾	2,693	2.3
Houston Inds	23½	+¼	23½	17⅞	3,029	6.7

BUILDING MATERIALS - Cont.

Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
Polypipe b	122½	−½	128	67½	188.8	2.0	18.6
Dalgotti	19	−4	45	19	6.51	10.7	6.5
RMC †	527	−14	745	481	1,027	4.9	12.2
Ramus	85	+1	78	50	3.91	0.2	—
Redland H	438	−4	568	416	1,482	7.6	12.8
Roskel	63	—	79	63	8.45	9.1	6.7
Rugby	168	−8	285	135	487.8	5.1	12.4
Russell (A)	85	+1	88	72	19.4	3.4	15.2
SWP	7½	—	22	7½	1.86	10.7	3.4
Sandell ‡	31	—	82	23	0.78	‡	—
St Gobain FFr	£40¾	+1	£49	£33	3,389	4.7	4.7
Sharpe & Fisher	72	—	90	70	14.9	7.4	69.8
Shaw (A)	57	—	82	48	4.99	9.8	20.2
Sheffield Insuls	80	−5	161	80	19.4	9.0	7.6
Spring Ram th	136	−1	155	62½	493.9	0.2	25.0
Stannin H	14	—	22	13¾	46.4	2.9	29.0
Steetley ♦	382	+1	424	252	551.0	5.3	18.2
Tarmac	187	−7	283	95	780.8	14.0	12.1
Triton	98	+2	98	40	9.76	4.9	♦
Travis Perkins	178	—	351	175	178.8	6.1	22.6
Tudor ‡	33	—	33	22	1.87	‡	9.3
Ward Group ‡	88	−1	288	88	22.4	‡	3.9
Wickes ‡g	93	—	76	27	142.8	‡	—
Wilshaw	8½	—	11¾	4¾	6.68	4.7	13.9
Wolseley	378	+4	432	290	811.2	4.3	17.0
Worcester †	138	—	158	67½	32.9	3.8	18.8

BUSINESS SERVICES

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MISCELLANEOUS - Cont.

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Name	Notes	Price	+or-	1991/92 High	1991/92 Low	Mkt Cap£m	Yld Gr's
‡‡Ovemia West IE		59	+1	61	30	18.8	–
‡‡Kells Minls IE		41	—	49	33	0.99	–
‡Kenmore		4	+¼	25	3½	3.84	–
‡‡Navan Res IE	n	21	+1	21	15	1.14	–
Northgate Expl C$	s	49	—	99	39	6.95	–
North West Expl A$		8	—	18	5	2.82	–
Oryx Gold $		98⅓	—	185	82	–	–
‡‡Ovoca Gold IE		8	—	23	8	0.56	–
Pladeau		11½	—	44	11	2.15	–
■RTZ		485	–9	605	404	4,835	5.4
♥Thorco Res.		4¾	+⅛	11	3¼	–	–
‡Vizcaya		2½	—	10	2	1.34	–
♥Western & Pac C$		7	—	182	7	3.84	–
‡Young Grp		105	—	133	105	9.90	6.5

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tip Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ *Figures or report awaited*
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ∮ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
j Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1990.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FINANCIAL TIMES
Weekend January 11/January 12 1992

Company at odds with OFT over deal to reduce its industrial market share

British Gas fights to avoid inquiry

By Deborah Hargreaves

BRITISH Gas was last night fighting a desperate rearguard action against the threat of a far-reaching investigation by the Monopolies and Mergers Commission into its dominance of the industrial gas market.

The company appeared to soften its position on an agreement it reached with the Office of Fair Trading (OFT) late last month to halve its share of the industrial gas market by 1995.

However the two sides remained at loggerheads after British Gas revised its conditions for accepting the deal, which includes hiving off its pipeline division.

The OFT has told British Gas that the Commission will launch an inquiry into the company unless it agrees to the deal without conditions. The OFT has given the company until next Thursday to agree to the deal, which was due to be concluded yesterday.

The deadline was extended because Mr Robert Evans, chairman of British Gas, is abroad.

The row is rapidly becoming the most acrimonious dispute yet between a privatised utility and the regulatory and competition authorities. It has brought British Gas into sharp conflict with not just the OFT but also Ofgas, its regulator, and the government.

British Gas has backed down from its earlier insistence that it would have to raise domestic prices to offset the impact of the OFT's proposals for the industrial gas market.

However the company said it would only abide by the deal if the MMC arbitrated in potential disputes over pricing with Ofgas. This proposal seems certain to worsen the company's already stormy relations with Ofgas which rejected it as unacceptable. Mr Malcolm Keay, deputy director general of Ofgas, said: "There is no legal basis for the MMC to act as final adjudicator."

British Gas is still pressing for a review of a tough new pricing formula which Ofgas is due to introduce in April.

The company betrayed its deep mistrust of its regulator by calling for the MMC to arbitrate in any disputes created by such a review. British Gas said this would ensure fair play in any dispute.

But the OFT is unhappy with the attachment of any conditions to its agreement with British Gas. Talks between the company and the OFT will continue next week and British Gas remains optimistic. Mr Cedric Brown, senior managing director, said: "We are within a whisker of reaching agreement, but also within a whisker of an MMC enquiry."

East faces up to west in a model acquisition

By Michiyo Nakamoto

NOW THAT the Japanese have gained control of Aquascutum and Daks Simpson, they have decided they need the right kind of shop window dummies to display their newly acquired robes and reinforce the British image in their shops.

Yoshichu Mannequins, one of Japan's leading manufacturers of mannequins and display products, is acquiring the Rootstein Hopkins Group, a leading UK mannequin designer and manufacturer.

The acquisition will take Yoshichu into virtually every high street in Britain. Rootstein Hopkins models are on show in department stores and clothes shops throughout the UK and the rest of Europe, as well in Japan.

Indeed, Rootstein Hopkins was responsible for one of the most significant recent innovations in the mannequin market. Traditionally Japanese mannequins had western features and it was only after Rootstein Hopkins produced a dummy modelled on a famous Japanese fashion model 10 years ago, that mannequins with oriental features became acceptable in Japan.

The privately owned Rootstein Hopkins, based in London, is known for its high quality mannequins, 95 per cent of which are modelled on real people including figures such as actress Joan Collins.

The decision to sell by Mr Richard Hopkins and Mrs Adel Rootstein, the husband and wife founders, was made after they had difficulty finding a successor.

The Japanese company, which produces Rootstein Hopkins mannequins under licence, emphasised the cultural as well as the commercial benefits of the acquisition.

"You might say that the east and west are joining hands in an artistic collaboration," said a Yoshichu spokesman.

The deal, the price of which was not disclosed, underlines the Japanese taste for quality products and well known brand names. It also reflects a growing interest among Japanese companies in establishing a toe-hold in the European retailing market.

Yoshichu hopes that owner ship of Rootstein Hopkins, which has manufacturing facilities in the UK and the US, will help it develop an international operation. Rootstein Hopkins exports about 90 per cent of its products manufactured in the UK, which contributed about £6m to sales last year of about £8m.

Snapping it up: Lynda Chalker, minister for overseas development, photographs British grain being unloaded from a ship in St Petersburg docks. On a visit to Russia's second city to assess the supply and distribution problems in the food sector, she was harangued by angry shoppers who told her that much western aid was being stolen by racketeers

Russia threatens to halt interest payments on debt

By John Lloyd in Moscow, **Robert Peston** in London and **David Waller** in Frankfurt

RUSSIA shocked western bankers yesterday when it announced that it wanted a deferral of interest payments on $84bn (£46bn) of debt owed by the former Soviet Union to commercial banks and western governments.

Mr Georgy Matiukhin, chairman of the Russian central bank, said Russia would seek the deferral when it met a steering committee representing commercial banks in Frankfurt on Tuesday.

The committee, chaired by Mr Christian Vonz of Germany's Deutsche Bank, has calculated that the Commonwealth of Independent States would have to find $6bn in order to pay debt commitments from the beginning of December 1991 to the end of March. "They would need to find $18bn for the whole of 1992," a banker added.

The commonwealth groups 11 of the 15 republics of the former Soviet Union. Russia has assumed responsibility for most former Soviet debt.

Page 2
- Kazakhs threaten to form their own forces
- Ex-Soviet republics agree to cut arms

A committee member said he was disappointed that Mr Matiukhin should have aired the matter in public before talking to the committee. "The commonwealth has said nothing to us directly on deferring interest payments," he added.

Bankers are unlikely to agree to a formal moratorium on interest payments. "That would be highly unusual," a banker said. However, in practice banks may have no choice.

A German banker said he was surprised at the threat to suspend interest payments, given that only last week the commonwealth reached an agreement with 17 creditor nations to suspend principal payments on official debt. "There was no suggestion then of a problem on interest payments," he said.

Mr Matiukhin said that, if foreign banks and governments did not understand the Russian position, it would have to "declare our Vnesheconombank bankrupt". The former Soviet foreign trade bank has been taken over by Russia.

His comments underscore the gravity of the situation confronting Russian authorities, struggling to stabilise finances in the face of falling revenues, trade and currency wars between the republics and rising inflation.

German banks have the biggest exposure to former Soviet debt. They are owed more than $20bn, although only an estimated $5bn is uninsured against loss by official agencies. The Bank of England calculates that UK clearing banks and Moscow Narodny Bank – based in London but owned by the commonwealth – are owed $3.5bn, of which $3bn is insured by the UK Export Credits Guarantee Department.

Brittan warning

Continued from Page 1

However, nagging concern among currency investors, especially in the US, about such a possibility has been one factor stopping the pound gaining strength.

Sir Leon, speaking in Exeter, Devon, supported the government's line. He said people calling for a devaluation were "voices from a discredited past". He added that sticking with the current ERM bands was the best way to ensure a "sound and lasting recovery".

During the past week, sterling lost 1¼ pfennigs, leading to speculation that a further slide might require the Bank of England to intervene in currency markets.

One factor reducing tension at the Bank is that the pound's effective ERM floor is set by the peseta, the system's strongest currency. If investors sold the pound in high volumes, the limit could relatively easily be brought down by selling pesetas, a lightly traded unit.

US jobless figure hits highest level in five years

By Michael Prowse in Washington

PRESIDENT George Bush returned to Washington from his Asian trip yesterday to be greeted by a jump in unemployment to the highest level for five years.

Furthermore, a New York Times/CBS opinion poll showed that eight in 10 Americans believe the economy is in "bad shape".

The Labour Department said the unemployment rate rose to 7.1 per cent last month compared with 6.9 per cent in November and 5.3 per cent at the start of the recession 18 months ago.

Financial markets took the jobs statistics in their stride, largely because figures for payroll employment were less bad than feared. Non-farm employment rose 31,000 to 108.8m compared with a consensus forecast of a drop of 74,000.

However, the department revised downwards its estimate for November to show an even larger decline – 265,000 rather than 241,000.

Speaking at Andrews air force base, Mr Bush said he was "disappointed" by the rise in unemployment but claimed his efforts to open markets in Asia would stimulate growth and create more US jobs.

The New York Times/CBS poll, however, indicated that fewer than a third of Americans believe Mr Bush's Asian trip will create jobs. More than half said the exercise was "mainly for show". Two thirds said the president was spending too much time on foreign policy.

Mr Bush's overall approval rating fell from 51 per cent to 48 per cent. Voters appeared evenly divided when offered a choice of re-electing Mr Bush or supporting an unspecified Democrat.

Mr Bush is expected to attempt to rebuild his popularity by unveiling an ambitious economic growth plan in his State of the Union address on January 28.

The employment report – which follows a series of disappointing economic indicators – offered little prospect of an early recovery. Last month's rise in payrolls reflected an erratic 65,000 increase in government employment. Jobs in the private sector fell by 35,000.

US trade hopes, Page 3

THE LEX COLUMN

Sterling's paper adversary

There has been a good deal of talk this week about sterling dropping below its ERM limits. This did not happen, nor is there any immediate danger of it. It is worth recalling some details of the system to explain why. All that matters for sterling at present is its rate against the Spanish peseta, since it is comfortably within its limits against the other currencies. The rules say that the Bank of England has a perpetual obligation to buy unlimited amounts of sterling for pesetas at a floor rate of Pta 180.59, while the Bank of Spain has a corresponding obligation to sell pesetas for sterling. Since the Bank of England has never been offered sterling under these rules, the floor has by definition never been breached.

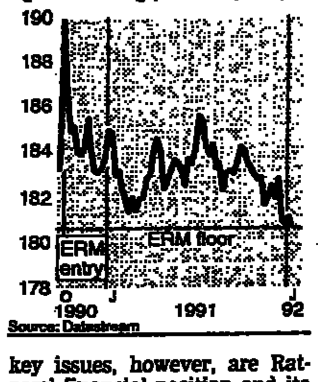
The reason is simple enough. The peseta is far less heavily traded than sterling; the market therefore believes that if intervention were triggered, the peseta would take the brunt. When sterling reaches its floor – as it did several times yesterday – it simply drags the peseta with it. The floor seemed to have been breached repeatedly this week outside the ERM's hours of 8am to 4pm London time. But outside these hours the peseta is not traded, so the calculation is bogus.

The real trouble for sterling comes when it hits a currency its own size. The nearest is the D-Mark, where sterling's absolute floor is DM2.778. Yesterday's rate of DM2.835 therefore gives almost 6 pfennigs of leeway. But it would not do to be complacent. Sterling has been independently weak this week, losing 2 pfennigs against the D-Mark even as the D-Mark lost 3.5 pfennigs against the dollar. The UK money markets have lost their fear of an interest rate rise, with three month money just 1/8th of a point above base rate. The D-Mark floor wants watching just the same.

FT-SE Index: 2,477.9 (−20.0)

Peseta

against Sterling (Pesetas per £)



Source: Datastream

Ratners

A term immortally associated with Mr Gerald Ratner himself might well sum up Christmas trading in his jewellery group. But though the market responded yesterday by marking the shares 9 per cent lower, it is not clear that the provisional trading statement leaves investors much the wiser.

A 15 per cent fall in sales in the crucial six week period up to December 25 was certainly worse than expected, as was the break-even trading forecast for the year about to end. The key issues, however, are Ratners' financial position and its relationship with the banks. In this latter respect the message of support from Barclays and Midland was hardly overwhelming, being chiefly confined to welcoming the appointment of a Scottish chartered accountant as Mr Ratner's boss. As for the balance sheet, £217m of net debt is a rather lower figure than might have been feared, and one that suggests the process of squeezing out working capital is reasonably well advanced. Borrowings nevertheless are seasonally depressed. And though the looming put option on the convertible bonds is mainly provided for, it will still cost around £55m in cash come October.

Though Ratners gave no information about its lending covenants yesterday, one can only assume in the current climate that the banks hold the key. For the moment a Saatchi-style restructuring does not look to be necessary. But mention of Saatchi is a reminder of a general truth; when they fall this far, they generally do not come back.

Allied Lyons

Yesterday's surge in Allied Lyons' share price – up 13 per cent at one point, before closing up 4 per cent – shows the remarkable persistence of bid speculation about the company. The latest rumour, concerning Seagram this time, was no more obviously substantial than usual. But the market evidently has the stubborn conviction at the back of its mind that Allied deserves to be broken up.

It is not immediately obvious why. Granted, Allied's return on capital is much lower than GrandMet's – though not Guinness's – despite the fact that it does not capitalise its brands. But in the most clearly comparable area of wines and spirits margins it does not do too badly, with 20 per cent last year compared to GrandMet's 19 per cent and Guinness's 31 per cent. It has also done well enough in share price terms, outperforming the market by 140 per cent in the past 10 years and 35 per cent in the past five.

Here perhaps lies the snag. Despite the provisional welcome extended to the new management, the market does not value Allied as highly on fundamental grounds as it does GrandMet. Yet Allied is on 15 times current year earnings, GrandMet on 13. In terms of its own logic, therefore, the market had better be right about a bid arriving sooner or later.

UK builders

Yesterday's admission from Raine Industries that late last summer it bought a 3 per cent stake in fellow builder Y J Lovell is instructive indeed. From one angle it looks like a disappointing stumble by a company which hitherto had proved commendably surefooted in the recession. Raine's shares, after all, have kept pace with the market as a whole and outperformed the sector by 220 per cent over three years. There is certainly room to question the judgment of those who signed off the Lovell rights issue document last April, on which Raine apparently based its decision to invest. But given Lovell's now fragile condition – its shares are roughly a sixth of Raine's average purchase price – there is no escaping the £2m-£3m loss which will have to be taken as an extraordinary item in Raine's interim figures.

On a wider front, it is worth noting that Raine's move was partly prompted by Taylor Woodrow's equally ill-timed stakebuilding in Lovell. The sector's most conservative blue chip representative and one of its most admired second-liners have therefore both had their fingers burned at the same game. At the very least, this is a reminder for investors that hostile bids for contractors are fraught with danger and cannot be taken for granted even at this dire stage in the cycle. Takeover hopes for Lovell are certainly wide of the mark. It also raises a question over general management ability in the sector at a time when it will be badly needed. Perhaps it is no accident that the new year has started as gloomily for the builders as the end of 1991.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Altana Ind	602	+	23
Badenwerk	259	+	9
Degussa	306	+	18
Dragerwerk	265	+	10
Henkel Prf	550.5	+	21
MetallgTschaft	394.5	+	16.5
New York ($)			
Rises			
Sun Microsysts	30¾	+	1⅜
Thiokol	15⅝	+	1⅞
Falls			
Aldus	33⅜	−	8⅝
Employee Benft	29⅞	−	30⅝
Ford	29½	−	1
Gen Motors	31	−	1¼
New York prices at 12.30pm			
Paris (FFrs)			
Rises			
Club Mediterran	465	+	20
Dollfus Mieg Cie	297.5	+	13
From C et Auv	2556	+	121
Gaumont Soc N	665	+	25
UFB Locabail	270	+	23
Falls			
Gal. Lafayette	1325	−	105
Tokyo (Yen)			
Rises			
Tokyo Rika Mfg	549	+	38
Falls			
Dai-Ichi Kng Bk	2160	−	190
Godo Shusei	2570	−	200
Koyo Seiko	713	−	72
New Japan Secs	525	−	42
Toho Acetylene	316	−	25
London (Pence)			
Rises			
Airsprung Furn	272	+	13
Allied-Lyons	657	+	25
Coats Viyella	176	+	8
De La Rue	512	+	16
Proudfoot (A)	360	+	14
Radamec	38	+	5
Falls			
AMEC	149	−	14
Appleyard	92	−	8
ASDA	28½	−	4½
Barratt Devs	45	−	7
GKN	283	−	15
Greycoat	65	−	9
Hillsdown	153	−	9
Lucas Inds	102	−	7
Oliver Group	68	−	17
Pape	99	−	5
Quilgotti	19	−	4
Ratners	21	−	2
St Ives	248	−	27
T & N	102	−	10
Tarmac	107	−	7

Ratner

Continued from Page 1

ence - in retailing as well - and is well known by the banking community," he said.

Ratners has been looking to appoint another chairman for almost a year and the two men will share executive responsibilities.

"It would not be right for one person to combine the two roles," Mr Ratner said.

Mr McAdam said very tight cash management and cost controls would now be enforced and he held out the possibility that some of Ratners' 1,000 UK stores might be shut.

"There is going to be no quick fix. It is going to be a long, hard slog," he said.

Some analysts speculated that the 246-store downmarket Ratners chain might be run down altogether or transformed into one of the group's other chains, such as Ernest Jones or H. Samuel.

The company has accounted for some of the costs of its anticipated rationalisation programme in the £45m exceptional charge.

The rest of the exceptional costs relate to the 10 per cent reduction in the workforce in the current year and bad debt provisions from Kay Jewelers, the US business it acquired in 1990.

Sales at Ratners' 1,000 US stores fell by 11 per cent but they were expected to show a trading profits for the year.

The company's shares closed 2p down at 21p.

WORLDWIDE WEATHER

UK Today: Freezing fog in the west and northern England, will give way to brighter conditions. Scotland and Northern Ireland will be cloudy, with breaks in eastern parts. Much of Scotland will be warmer than normal, but elsewhere cooler, with overnight frost. **Outlook:** Fog at first in places. Mainly dry.

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	15	59	Bordeaux	C	8	46	Dallas †	S	4	39	Innsbruck	F	3	37
Algiers	S	17	63	Boulogne	C	6	43	Dublin	S	3	37	Inverness	F	5	41
Amsterdam	S	4	39	Bristol	S	4	39	Dubrovnik		–	–	Isle of Man	S	5	41
Athens	S	15	59	Brussels	C	5	41	Edinburgh	S	2	36	Istanbul	S	11	52
Bahrain	S	14	57	Budapest	C	5	41	Faro	S	13	55	Jersey	F	6	43
Barcelona	S	10	50	Buenos Aires				Florence	F	10	50	Johannesburg	T	28	82
Belfast	F	1	34	Cairo	C	17	63	Frankfurt	C	5	41	Las Palmas	S	20	68
Belgrade	F	7	45	Cape Town	S	28	82	Geneva	C	4	39	Leeds	S	5	41
Berlin	S	3	37	Cardiff	S	6	43	Gibraltar	F	14	57	Lisbon	F	12	54
Biarritz	R	9	48	Chicago †	Sn	0	32	Glasgow	F	0	32	Locarno	R	1	34
Birmingham	S	4	39	Cologne	C	6	43	Guernsey	C	6	43	London	S	7	45
Blackpool	S	3	37	Copenhagen	S	2	36	Helsinki	S	-10	14	Los Angeles †	S	9	48
Bombay	F	25	77	Corfu	F	14	57	Hong Kong	S	17	63	Luxembourg	R	5	41

		°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	19	66	Nairobi	F	25	77	Prague	C	3	37	Tel Aviv	S	15	59
Madrid	S	6	43	Naples	C	14	57	Reykjavik	C	1	34	Tenerife	S	20	68
Majorca	S	14	57	Nassau				Rhodes	F	16	61	Tokyo	S	9	48
Malaga	S	14	57	Newcastle	S	2	36	Rio de Janeiro				Toronto †	C	0	32
Malta	S	16	61	New Delhi	F	17	63	Rome	F	15	59	Tunis	S	17	63
Manchester	S	4	39	New York †	S	6	43	Salzburg	S	5	41	Valencia	S	13	55
Melbourne	C	18	64	Nice	S	14	57	S'Francisco †	C	7	45	Vancouver †	R	8	46
Mexico City				Nicosia	S	16	59	Seoul	S	5	41	Venice	R	8	46
Miami †	S	18	64	Oporto	S	9	48	Singapore	F	31	88	Vienna	C	4	39
Milan	C	3	37	Oslo	F	-6	21	Stockholm	S	-3	27	Warsaw	F	2	36
Montreal †	S	-8	18	Paris	Dr	7	45	Strasbourg	R	5	41	Washington †	S	5	41
Moscow	Sn	0	32	Peking	S	4	39	Sydney	S	20	68	Wellington	S	21	70
Munich	F	4	39	Perth	F	25	77	Tangier	F	13	55	Zurich	Sn	1	34

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

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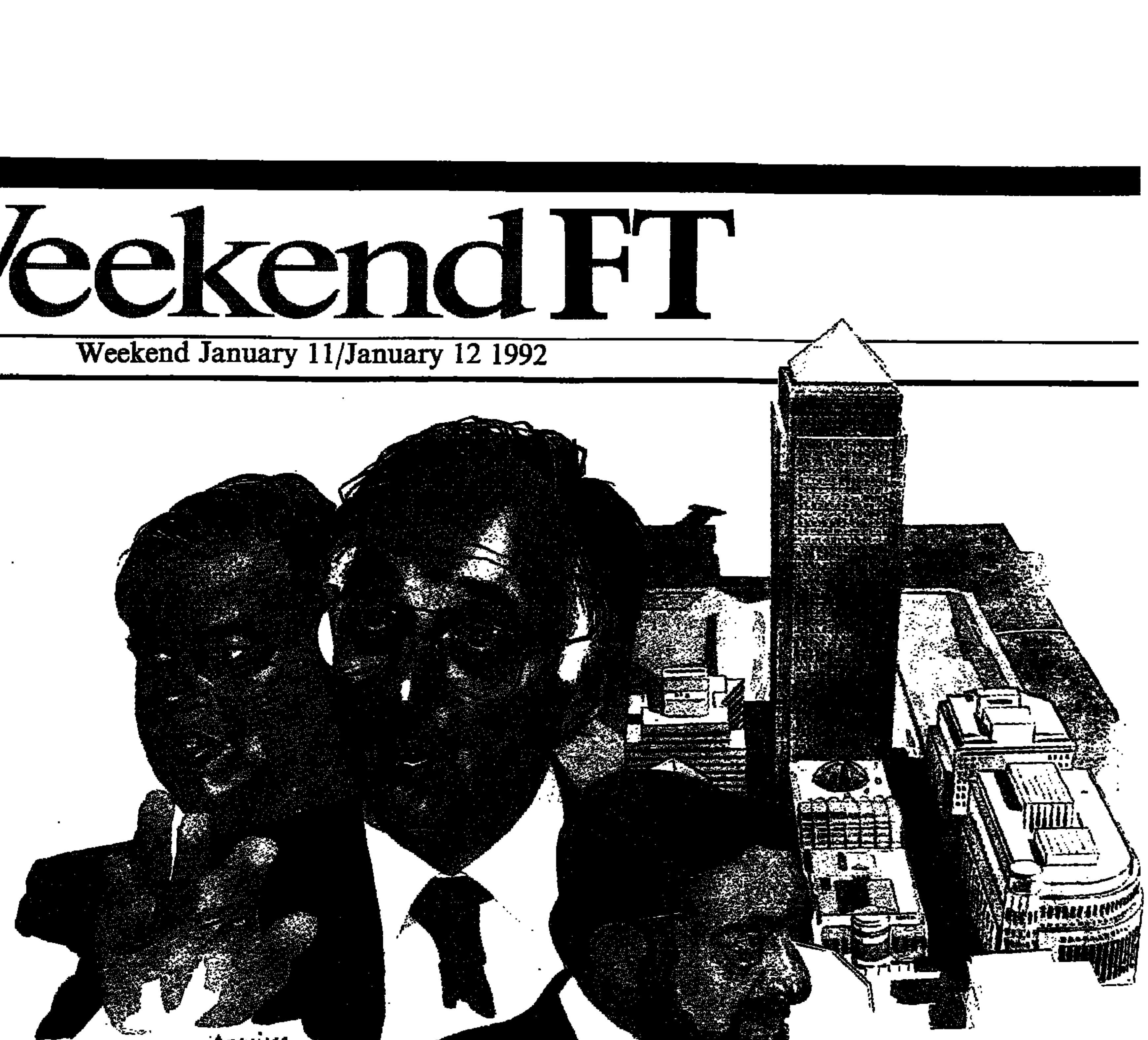
Weekend FT

SECTION II

Weekend January 11/January 12 1992

Docklands: Will it stay a cut-price ghost town?



From left: Stuart Lipton, Godfrey Bradman and Paul Reichmann. Their property deals attracted attention from all over the world

*As tycoons and banks grapple with recession, big questions remain over major London office and business developments, reports **Vanessa Houlder***

ON A CLEAR July day in 1986 Margaret Thatcher, clad in blue with a white hard hat, took the helm of a crane and swung the last chunk of granite into place in the core of the Broadgate office complex on the edge of the City of London. As the champagne flowed and a band played, the two developers – Godfrey Bradman, slight and intense, and Stuart Lipton, a large, softly-spoken figure with a passionate interest in architecture – stood among the watching crowd of bankers, builders and architects.

They listened to the superlatives: the largest building project under way in London; the fastest and largest single office development in the EC; and the largest project in the City since the Great Fire of London in 1666.

The project summed up the spirit of the age. The City's deregulated, 24-hour global trading blazed a trail for the largest surge in building that London had ever seen. The boom eventually turned to bust. Bradman and Lipton were among those who suffered heavy losses.

But in 1986, there was not a cloud in the sky. Bradman and Lipton were on the threshold of one of the most exhilarating periods in the history of the property market.

Developers became rich, influential and famous. "I wake up every morning and thank God I'm not a chartered accountant any longer, but involved with property," said Bradman, who made his first fortune by advising other millionaires how to exploit tax loopholes in the pip-squeaking era of the 1970s. He turned to property after his ingenious schemes were stymied by the taxman.

Property men, reviled as rapacious philistines in previous development booms, inspired adulatory articles in the press. Stuart Lipton, who started as an estate agent at 17, was acknowledged as a genius on architectural and construction matters, becoming the first developer to be appointed a Royal Fine Art Commissioner. David Goldstone, a Welsh lawyer and friend of Neil Kinnock, who revived derelict inner-city council estates and later built multi-million pound flats overlooking Prince Charles at Kensington Palace, also caught the eye of the media. As did the articulate Trevor Osborne – the first entrepreneur of his generation to float his company on the stock market.

But the loudest fanfares were reserved for Godfrey Bradman, vegetarian, teetotaller, fervent anti-smoker, chairman of Friends of the Earth, confidante of the Prince of Wales and a campaigner on every issue from homelessness to freedom of information. Friends paid tribute to his modesty, sincerity and philanthropy; the less-friendly accused him of self-righteousness and intolerance.

He once burned £10 notes in front of a dithering agent to demonstrate how much time he was wasting. He sent every MP a plastic foetus when they were debating the abortion bill.

Bradman and other lesser-known figures seemed unstoppable. Encouraged by political rhetoric and relaxed planning rules, they redrew the map of cities, transforming down-at-heel areas and breaking traditional boundaries. They built higher-quality buildings than before and used more sophisticated finance. The established property companies, built by an earlier generation of tycoons, were often made to look like stodgy rent-collectors.

At the outset, the boom was solidly built on the needs of British business. Retailers wanted shopping centres, high-tech companies wanted to combine their operations on green field sites and the aggressive new financial services houses wanted to swap their poky offices for cathedral-like trading floors with air conditioning and banks of computers.

The drab office slabs that had been thrown up quickly and cheaply in the 1950s and 1960s were loathed by the tenants. Nowhere was this more true than in the City of London, where rigid planning controls, high rents and ageing offices reduced the expanding financial services industry to despair.

This disaffection, coupled with the ambitions of property developers, lit the touchpaper that would lead to the most significant development of the era.

In February 1985, Dr Michael Von Clemm, chairman of Credit Suisse First Boston, went to the Isle of Dogs, a watery wasteland two miles east of the Bank of England, to look for a packaging plant for the Roux Brothers' restaurant chain. An enterprise zone had been set up in the area to attract development, under the leadership of Nigel (now Sir Nigel) Broackes, chairman of Trafalgar House, in Margaret Thatcher's first administration.

From the barge where he was eating lunch, Von Clemm spotted a disused banana warehouse. Forgetting the Roux Brothers, Von Clemm started to toy with the idea of converting the warehouse into a back office for Credit Suisse.

After several more visits he consulted Ware Travelstead, a US developer who advised First Boston on its real estate investments. Ware Travelstead turned Von Clemm's idea on its head. He knew that the bank had wasted five years in trying, unsuccessfully, to obtain a new front office location in the City of London. The real question, he insisted, was: "Can we consider Canary Wharf on the Isle of Dogs as a front office location?"

The question was breathtaking in its audacity, suggesting a 180-degree reversal of London's pattern of development. For generations, any institution with wealth or influence has gravitated towards the west of London, while the east has been associated with poverty, dockyards and sweatshops.

The idea that companies would move their headquarters to the East End was credible only if London continued to burst its seams. If so, Ware Travelstead's idea might save London's future as an international business centre. If, however, demand died to a level which central London could accommodate, Travelstead's proposal might be seen as one of the biggest follies in London's history.

London's established landlords had no doubts. For them, Travelstead's idea seemed an outright attack on the oldest law of property: "Location, location, location". Only an outsider would imagine that businesses would leave their contacts and favourite watering holes for an untried spot separated from the heart of London by some of the poorest council estates in Britain and linked merely by a small light railway.

But there were precedents, of a sort. The project had echoes of La Defénse, the modernist office complex outside the centre of Paris. It was also reminiscent of the World Financial Centre, the glittering ziggurat built on reclaimed land south of Wall Street by Olympia & York, the largest property company in North America, owned by the reclusive Reichmann family.

The parallels between Canary Wharf and the World Financial Centre grabbed the attention of Paul Reichmann, the chief strategist of O&Y. His company had a matchless reputation for bold moves, having bought up swathes of Manhattan when the city was close to bankruptcy in 1977, and having established the World Financial Centre at a time when New York was in recession. He felt his company was ready for its boldest move yet.

His opportunity arose when the consortium behind Canary Wharf started to fall apart. O&Y stepped in. After just a few weeks of round-the-clock work, it signed the master building agreement for a £4bn building project, Europe's largest commercial development.

Margaret Thatcher was rapturous about O&Y's undertaking, seeing it as the very spirit of enterprise. Her warm admiration for Paul Reichmann was tinged with gratitude for his injection of new momentum into Docklands, which was one of the government's key projects.

The Reichmann family was taking a risk that no UK developer was prepared to take. Yet Paul Reichmann, a principled, pious man, did not look on it as a gamble. He predicted that London would be the base for US and Far Eastern companies wanting to expand in Europe, and his research told him that companies wanted to consolidate their operations under one roof in modern, prestigious offices. "We believe that London will be the best office market in the world over the next ten to 20 years," he said.

The comment seemed uncontroversial. But even people who agreed with Paul Reichmann and admired his long-term view wondered whether his company would be able to reap the rewards. Was any private company strong enough to reshape an entire city?

Whatever the doubts about O&Y's faith in Docklands, the Canadian company was not alone in its conviction that businesses needed modern offices. Nor was it alone in its belief (to which it had more claim than most) that it was building the best offices in London. Palaces of marble, glass and steel were erected all around the capital.

Ironically, the developers' faith in their buildings blinded them to the coming crash. Although they took note of the growing competition, they thought that the quality of their schemes would see them through. In any case, the prospect of a downturn was on nobody's mind in the heady years after 1986. The economy seemed transformed, making the old stop-go cycles a thing of the past.

What followed was a property boom to end all property booms. What made it possible was a banking free-for-all. Money, it seemed, could be borrowed by anyone, from anyone. Deregulation and the reduction of interest rates after the 1987 stock market crash encouraged banks to pour money into bricks and mortar. UK property loans doubled to £40bn in the two years to 1990: more than three times, in real terms, the peak of 1974.

The property market was a deal-makers' paradise. Anyone with a sharp eye for the market could make a turn by buying a building and selling it a few months later. One master of the art was Tony Clegg, a blunt Lancastrian, who turned Mountleigh into one of the era's go-go stocks before retiring to breed highland cattle in York-

■ Continued on Page VIII

CONTENTS

The Long View/**Barry Riley**

A glut of grandparents

UPGRADING state pensions would be one of the immediate priorities of a Labour regime in the UK, but all over Europe other governments are searching for ways of reducing their pension commitments. Persuading people to accept generous pensions is easy enough, and politicians have cannily noticed that making such promises can win them votes; but finding other people to foot the bill is another matter entirely, and it is getting much tougher.

In France the government last year issued a *Livre Blanc* or discussion paper to find ways of heading off the imminent crises in the compulsory pay-as-you-go retirement schemes. In Italy, which already spends 14 per cent of GDP on state retirement provision, the perennially shaky regime seems unable to impose an orderly reduction of benefits, implying that at some point in the not-too-distant future the system will crash in a brutal fashion.

There are simply going to be too many old folk. The UK, fortunately, will be little affected for a number of decades, but countries such as Germany, Belgium, Italy and France are grappling with the implications of a fertility rate seriously below the level of 2.1 children per woman required to maintain a stable population. The rate in Italy has slumped to just 1.3.

They say that the very last Bavarian will die in about 500 years time. His pension book, alas, will not do him much good.

Quite why we Europeans have become reluctant to reproduce ourselves is a big question, and may have many answers, but I shall just look at it from the point of view of security in old age. In Third World countries a large family provides the only reasonably reliable guarantee of comfort and dignity in the declining years. Advanced Western countries have sought to introduce retirement security systems which provide universal protection. But such measures cannot obscure the basic truth that the old are dependent for survival on the younger generations. We have collectivised pension rights without considering that there may be a clash with the individualised duty to go forth and multiply.

These issues were discussed at a fascinating conference run before Christmas by the Brussels think tank, the Centre for European Policy Studies. The primary concerns for Eurocrats arise from cross-border distortion; the different pensions regimes obstruct the mobility of individuals, and can also affect the competitiveness of industries (which is why the British government is anxious to avoid some of the high Continental social security costs).

However, the European Commission has abandoned for the time being its attempt to harmonise the various pension systems because there is so little scope for flexibility: nobody would pay into a near-bankrupt French scheme, for instance, if he or she could possibly avoid it. The question is whether national reforms will make harmonisation more practical.

Pay-as-you-go schemes, such as our own SERPS, pose the biggest immediate problems. Starting them is like a political dream, because modest contributions paid by many millions of workers can instantly fund pensions for the retired. It amounts to a free gift from one generation to the previous one. But strings are attached, because the contributors think that the contract also guarantees their own pensions. That postdated cheque will have to be honoured by a future generation which was not consulted and may be much smaller in size. The required contributions could swell alarmingly. But cutting back or terminating pay-as-you-go schemes is a nightmare for politicians.

The dependency ratio, calculated as the ratio of people aged 65 and over to those aged 15-64, will double to more than 40 per cent in Germany between now and the year 2030. There is a similar problem in France, where the prospect of a doubling in pension contribution rates from the current 16 per cent or so over the next 30 years is causing the political alarm bells to ring. As for Italy, the unsubsidised pension contribution rates for the main private and public sector schemes could rise to 45 per cent of pay by 2010.

Obviously this will not happen in practice, but avoiding such disasters will be messy. Mass immigration might be one answer, and indeed Germany has already tried it. But it cannot be certain that immigrants will head for countries with tottering social security systems and help to balance the books. Within the context of a Single European Market there might be mass *emigration* from such states instead, as workers seek a lower tax environment. Excessive pension promises could destabilise whole economies.

A shift towards funded schemes, such as are common in the UK and the Netherlands, but not elsewhere in the EC, may provide certain advantages, such as in providing more capital where savings ratios are low, or in diversifying risks. This week the French government proposed reforms to encourage private pension funds.

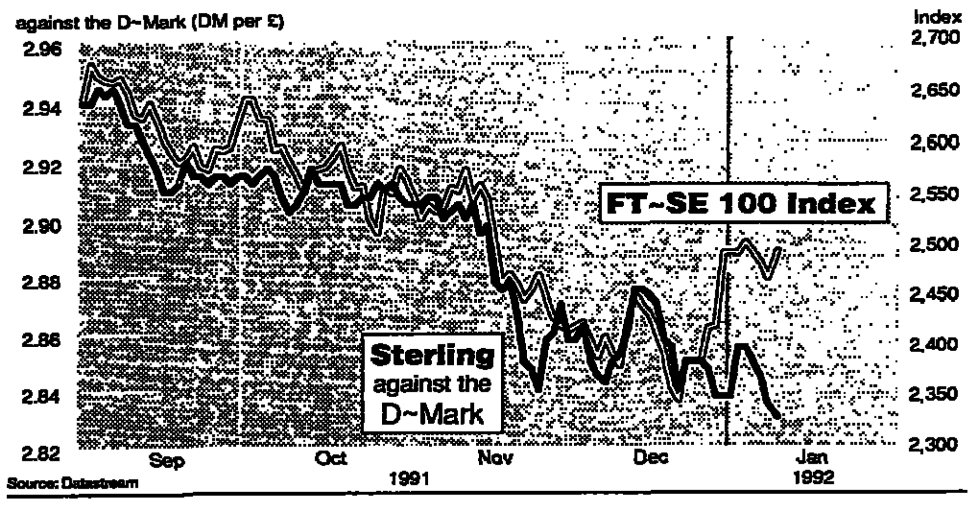
If confined to domestic investments such funds cannot really solve the problem of intergenerational transfer. However, it is possible for a shrinking country to provide for its citizens' old age by investing abroad. There are historical precedents, for instance a century ago when the UK steadily built up external assets which by the eve of the first world war amounted to 140 per cent of GDP (although these investments were not formalised as pension funds).

But at that time the UK had the British Empire and the US, with their prime development regions, to invest in; although there are plenty of investment opportunities around the world today, few appear to offer comparable political and legal security, of a quality which would be acceptable for pension funds. You would not want to rely in your old age on an emerging markets fund. So the idea that EC pension funds could be used to finance the redevelopment of Eastern Europe, for instance, seems fanciful.

There is, fundamentally, no way in which the masses of future European pensioners can escape the economic consequences of their own lack of fertility. As the years go by people will have to retire later and take part-time jobs to make their small pensions go further. And they had better be very respectful to their grandchildren.

London Markets

A week of strange bedfellows



Source: Datastream

IT WAS hard, in a dull week for corporate news, to tear one's attention away from the most extraordinary revelation of the New Year: that Zsa Zsa Gabor lost her virginity to Kemal Ataturk, the creator of modern Turkey.

Since Ataturk is one of the striking figures of twentieth century history and Gabor, to put it politely, is not, this liaison is about as plausible as suggesting a shared sentimental history for Stalin and Joan Collins.

Strange bedfellows abound these days, however, a sentiment well illustrated by the chart alongside. Historically, a weak pound has been good for equities, since it prefigures, in economic terms, a shift of national income away from consumers towards producers. For most of the the past few months, however, in one of those suspiciously neat correlations, the downward trend in the D-Mark value of the pound has been exactly matched by the performance of the FT-SE index.

Throughout the autumn, as the pound weakened, the market fell in step. The reason, of course, lies in the UK's membership of the ERM. While the currency is falling, the UK's ability to cut interest rates is limited; indeed at some point a rise in interest rates may be needed to stop the pound going through its ERM floor. The weakening pound thus carried a gloomy message for the equity market, and the two fell together.

At the very end of the year, however, the correlation disappeared: the pound continued to slide, but the stock market followed Wall Street up. The rupture in the relationship between the FT-SE and the D-Mark is an illustration of the way in which the London market became decoupled over Christmas from the UK's economic fundamentals.

This week, with fund managers and brokers' analysts fully back at work for the first time since December 20, the autumn's relationship has started to recreate itself. The pound continued to fall for much of the week – it was DM 2.840 on Friday, compared with the DM 2.855 a week before – and the stock market also moved downwards, though with a few abrupt reversals en route.

FT-SE closed yesterday at 2477.9, down 26.2 on the week, having touched 2540.1 during the course of Monday. (Nicholas Knight, the Nomura strategist, immediately highlighted the Monday figure as possibly the market's high for the year.)

The rediscovery of bad news owed something to sterling, which was close to its lower ERM limit against the Spanish peseta, the strongest currency in the system. It also owed something to abrupt downward adjustments of expectations. Warburg Securities cut its estimate for 1992 gdp growth from 2.0 per cent to 0.8 per cent, with non-oil output rising at only 0.4 per cent – an economic recovery that looks all too much like the recession the economy's supposed to be recovering from. And brokers downgraded profits estimates wholesale.

The gloom over sterling was probably overstated: as Richard Kersley of BZW pointed out, though there may well be a pre-election wobble for the pound, this week's developments weren't it. "This is how the ERM works," he said. Until the pound has really tested the lower bounds of its ERM range against the peseta, and the Bank of England has been seen to intervene, unsuccessfully, on a large scale, it is too soon to worry about the impact on interest rates. Moreover, sterling is still well clear of its floor against the D-Mark – and arguably that is the relationship which really matters.

The week's economic and corporate news was only partly encouraging. Household savings rates, reported on Tuesday, indicated that consumers had lots of cash if only they chose to spend it. Boots the chemists reported below-target sales over the Christmas season; Ratners the jewellers reported sales below year-ago levels. Dixons, the electrical retailer, reported much better Christmas sales. "There is more consumer confidence out there than you might imagine," said Stanley Kalms, Dixons' chairman. "Parts of the country are bouncing with enthusiasm, such as Scotland and the North East." Dixons' shares closed at 211p, up 7p.

Ratners had more to announce than just a disappointing Christmas: there would be a loss after interest and exceptional charges of around £70m in the year to February, it said, along with no final dividend and a new chairman. The shares closed at 21p yesterday, down only 1p on the week but 89 per cent below last year's high.

Food retailers, which outperformed the market handsomely last year, had a poor week, haunted by fears that a price war might be on the way. Sainsbury, which is starting a big price promotion, closed the week at 340p, 19p down; the sector as a whole lost 2.7 per cent. Fears of a price war were also evident in the travel industry: Airtours, which rose 426 per cent last year, fell 72p this week to close at 823p.

Air transport stocks had other influences at work: BA, for example, closed unchanged at 229p, caught between poor prospects for the world economy and lower costs: airlines will benefit from the continuing slide in the oil price. North Sea prices dropped below $17 on Thursday, a trend to which traders see no immediate end. Oil shares, downgraded by brokers' analysts, suffered accordingly: BP closed the week at 282p, down 8½p; Shell ended 25p down at 473p.

One other loser was British Steel, which announced the earlier-than-expected closure of its Ravenscraig steel mill in Scotland, and said it was deferring expansion plans at its other big mill, Llanwern, which had been seen as the corollary of the Scottish closure. The move was interpreted as bad news for an early return to dividends: the shares closed at 64¼p, down 5½p.

Peter Martin

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1991/92 High	1991/92 Low	
FT-SE 100 Index	2477.9	-26.2	2679.6	2054.8	Sterling uncertainty
Airtours	823	-72	965	155	Price war fears
Boddington	170	+8	175	124	Stakebuilding hopes
British Aerospace	318	+27	653½	282	Positive sales forecast
Burton	34	-5	94⅜	30	Smith New Court "sell"
Commercial Union	464	-32	555	420	County NatWest "sell" note
Glaxo	916	+63	943	400	US buying
Grand Metropolitan	922	+24	947	623	Buying of defensive stocks
Lovell (YJ)	23	+9	205	13	Raine Inds reveals stake
Merchant Retail	20	-13	46½	20	Profits warning
NatWest Bank	269	-16	357½	246	James Capel downgrade
Prudential	227	-29	266½	187	UBS Phillips & Drew caution
Sainsbury (J)	340	-19	388	300½	Credit Lyonnais downgrade
Shell Trans.	473	-25	546	419	Strauss Turnbull "sell" note
Vodafone	357	-20	414	251	UBS/BZW caution

Serious Money

What will Labour do to nest eggs?

By Philip Coggan, Personal Finance Editor

WILL THE Labour party steal your nest-egg? The Conservative party raised this spectre this week, creating the inevitable frightening headlines in the Tory section of the Press.

Labour has made a few firm commitments: to abolish the ceiling on National Insurance contributions (currently £390 a week or £20,280 a year); to raise the top rate of tax to 50 per cent a year; and to impose a surcharge of 9 per cent (equal to the NI rate) on those non-pensioners who receive income from savings of over £3,000 a year. Funds raised would be used to increase pensions and child benefits.

Other parts of its policy are less clear and the Conservatives exploited this confusion by suggesting this week that Labour would have to raise basic rate tax by 10 percentage points (to 35 per cent) to pay for its promises.

Labour says that, on the contrary, its plans for further public spending will be financed by economic growth. (As the economy grows, the government's tax revenues increase.)

Which you believe will obviously depend on which party you are inclined to support. The cynical might reason that a 35 per cent tax rate would be politically disastrous and that, even with economic growth, some of Labour's promises could take a very long time to implement. One should also remember that, under Margaret Thatcher, the top rate of tax was as high as 60 per cent until 1988.

Savers should not be led astray by the more enthusiastic of the Tories' supporters in the media. Contrary to Press reports which have appeared this week, pensioners need not worry about the possibility of an investment income surcharge. Labour has made it clear that it will not apply to people of over the state pension age. Those who retire before the state pension age will not pay the surcharge on money derived from pension annuities.

For the bulk of the electorate, therefore, it is far from clear that a Labour government would mean higher taxes, and indeed many would gain from the higher child benefits and pensions.

Nevertheless, many *Weekend FT* readers will be adversely affected. Andrew Dilnot, of the Institute of Fiscal Studies, writing in the *FT* this week, estimated the cost of Labour's plans at various income levels. Those earning £25,000 a year would lose £425; on £30,000, the loss would be £875; on £40,000, it would be £1,775; on £50,000, it would be £3,765; and those on £100,000 would face a hit of £13,175 per annum.

'Beware of the dangers in tax avoidance'

This estimate does not include the effect on the surcharge on those with investment incomes of over £3,000. If you had savings of £50,000 and earned 10 per cent a year, then the extra tax charge would vary from £180 a year (on those in the basic rate band) to £680 (for those who fall in the top rate). Those with £100,000 savings would, on the same assumptions, face an additional yearly charge somewhere between £630 and £1,630.

In addition, Labour is likely to make some, as yet unspecified, change to Capital Gains Tax. A strong possibility seems to be that the annual CGT threshold will be set at the same level as the personal allowance for income tax (currently £3,295).

Readers will understandably be anxious to avoid these impositions. Some choices are simple. If you have savings, and have not already opened a TESSA (Tax-Exempt Special Savings Account), then do so. It pays tax-free interest if you hold it for five years; if you have to withdraw your money beforehand, you will be no worse off than if you had left it in a building society account all along.

The 36th fixed and the 5th index-linked issues of National Savings also look attractive. The former pays 8.5 per cent tax-free if held for five years; the equivalent of a gross 20.7 per cent for a top-rate taxpayer under Labour's plans. The latter pays 4.5 per cent above the rate of inflation tax-free; whether it is better than the 36th issue, depends on whether inflation over the next five years is above or below 4 per cent.

None of the above products pay commission, however, so the financial services industry is concentrating its efforts elsewhere. Personal Equity Plans, where income and capital gains are tax-free, are being widely touted. And it will shortly be time for the annual Business Expansion Scheme bonanza – investors in such companies can reclaim tax at their highest marginal rate.

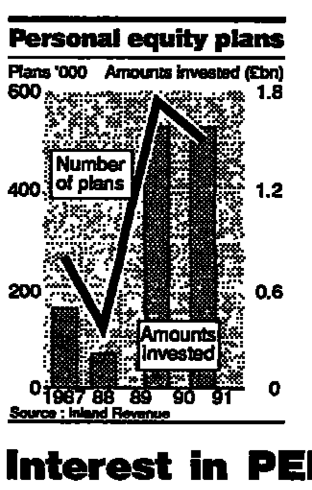
There are dangers, however, in all this enthusiasm for tax avoidance. The first is that there are worse things in life than paying taxes. You may resent paying tax but a poorly performing PEP or BES could cost you far more than the taxman. Beware of investing in something solely for tax reasons, and while some PEPs are good value, do not invest in the first to send you a brochure.

The second problem is that higher taxes will dent your income. You may find it more difficult to make ends meet. Thus you could find expensive savings commitments an unnecessary burden, and you may be forced to eat into previous savings to meet current expenditure. If you surrender a PEP quickly, the charges will have eaten into your savings. If you surrender a BES before five years, you will lose the tax relief.

Those who will be hit by a Labour tax increase should accordingly make sure they have sufficient cash in their building society and deposit accounts; they could need those liquid assets after the election.

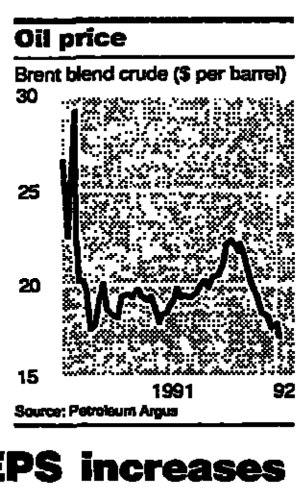
AT A GLANCE

Personal equity plans



Source : Inland Revenue

Oil price



Source: Petroleum Argus

Interest in PEPS increases

Inland Revenue figures show that investment in Personal Equity Plans has shot up since they were introduced. This is reflected in the 10th edition of Chase De Vere's Pepguide, now available. It should prove useful to anyone planning to take out a Personal Equity Plan in the run up to the end of the tax year in April.

The guide contains a list of all 486 PEPs, from 202 managers, on the market at the end of last year. Information is included on charges, minimum and maximum investments, penalties, and share exchange facilities, along with more technical details. There is also a list of addresses. The guide costs £8.95, but this will be refunded if you choose to buy a PEP through Chase De Vere.

Pepguide, Chase de Vere Investments PLC, 63 Lincoln's Inn Fields, London WC2A 3JX. Tel: 071-404-5766. £8.95, inc. p&p.

Oil prices fall on Iraqi news

Oil prices fell to their lowest level since the end of the Gulf War this week as traders reacted to the prospect of the return of Iraqi oil to the market. The price of North Sea Brent crude for February delivery closed down by over a dollar on Wednesday to $17.05 a barrel from the previous day and was down further at $16.85 yesterday afternoon.

Wednesday's fall was triggered off by talks between an Iraqi delegation and UN officials in Vienna on the possibility of partly lifting the UN embargo on Iraqi oil sales. Prices have declined by almost $6 a barrel in the past six weeks.

Revenue approves BES move

Johnson Fry has announced that the Inland Revenue has given it the go-ahead to use Business Expansion Scheme funds to support a mortgage rescue scheme. JF's Eighth Super Growth scheme will aim to raise £5m, which will be used to pay for houses which have been bought by the Bedfordshire Pilgrims Housing Association from people who are behind with their mortgage payments.

The BPHA plans to charge the existing tenants a rent for the five years the BES funds last, and then offer them the opportunity to buy back their houses. Growth on the scheme, provided the BPHA is able to meet its commitments at the end of five years, would be equivalent to 16.49 per cent per annum for a top-rate taxpayer.

Cheer for smaller companies

Small company shares made moderate gains over the Christmas/New Year period. The Hoare Govett Small Company Index (capital gains version), which stood at 1164.74 on December 19, fell to 1159.69 by December 27, rose to 1171.65 by January 2 and then to 1172.51 by January 9, for an overall gain of 0.6 per cent. The County Small Companies Index, which was 939.43 on December 19, fell to 934.2 by December 27, and then rose to 941.3 by January 2 before slipping back to 940.03 by January 9.

Bristol & West equity bond

Bristol & West Building Society has launched a guaranteed equity bond, which offers investors the chance to match the rise in the FT-SE 100 index over three or five years, with a guaranteed base return. The minimum return over three years is 9 per cent gross, and 25 per cent gross over five years. The disadvantages are that the investor does not receive any income, and that any gain on the bond is subject to income, not capital gains tax.

Wall Street

Dow continues to let the good times roll

HOW LONG can the good times continue? Will Wall Street crack?

Certainly, there was little sign of any big set-back for much of last week. The Dow Jones has now closed at record levels on eight of the last ten trading days – representing a near-10 per cent gain since the discount rate cut took effect on December 20. Two of these all-time highs were scored last week, on Tuesday and then again on Thursday.

True, the market turned significantly weaker on Friday morning, in the wake of some ambiguous jobs data.

An increase in December payroll levels took Wall Street by surprise – although some rumours to this effect had taken the edge off prices late on Thursday. However, analysts were quick to dissect the figures; within the overall improvement, they noted, manufacturing employment fell by 32,000, and in the retail sector, by 16,000.

The main impact of these better-than-expected statistics, therefore, was to curtail hopes of another early interest rate easing by the Federal Reserve, rather than boost optimism about a reviving economy. This, in turn, prompted some speculators to take profits.

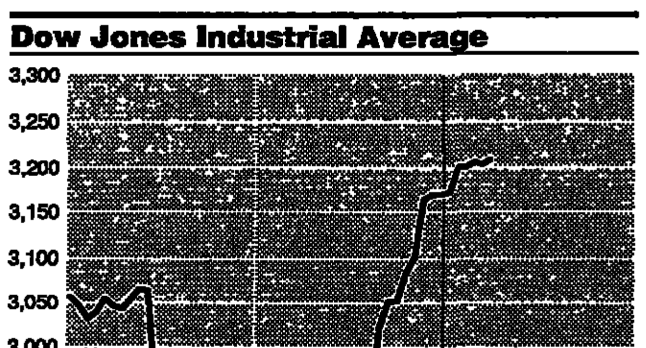
But even if there is no further stimulus from Fed action in the short-term, pessimists on Wall Street are hard to find.

The current level of interest rates already makes equities look attractive alongside many alternative investments. According to some traders, moreover, there are still investors who missed the initial surge in share prices and who seeking to increase equity exposure.

In an inevitable "virtuous circle," this weight of money argument provides psychological support to the market at these levels, and that in turn encourages more small investors to join the party. Of course, bursts of profit-taking are inevitable – this affected transportation stocks on Thursday, for example – but real doomsters are hard to find.

Inevitably, a search for maximum returns has pushed many punters towards smaller stocks, provoking a wave of gains in high-tech and biotechnology issues. The Nasdaq index, which measures New York's over-the-counter market, smashed through the 600-barrier on Tuesday. By Friday morning, it was still holding around the 612 level.

Dow Jones Industrial Average



Source: Datastream

Such heady market levels have spurred a flood of new issues. On the one hand, the extremely low level of interest rates has pushed many corporations towards the debt markets: on Wednesday, for example, a chunky $5bn-worth was sold by corporations. But equity offerings are playing their part, too. Among the leading companies who announced new equity issues last week were AMR, parent company of American Airlines, and International Paper.

To what extent Wall Street's optimism mirrors any genuine improvement in economy remains a moot point. The corporate reporting season has yet to get underway in any meaningful sense, although a handful of financial companies appeared eager to tell the good news last week.

To no one's surprise, J. P. Morgan, the New York banking group, rolled out a 41 per cent earnings gain for the year – underlining the extent to which parts of Wall Street have prospered while much of Main Street has suffered. Even so, a slip in trading profits in third quarter levels and complicating tax benefits, caused the shares to ease $2.50 to $67.50.

But the absence of any major rise in non-performing assets at Chemical Bank, which merged at the end of last year with Manufacturers Hanover, gained a more sympathetic reaction – in the form of a $1¼ rise, to $27½. Chemical's fourth quarter loss of $420m was largely explained by restructuring charges, which totalled $625m.

Conversely, post-holiday news from the retail sector has been generally grim. Zale, the largest jewellery retailer, still hovers on the brink of bankruptcy, and two of the largest general/fashion merchandise groups – Sears Roebuck and Woolworth – both unveiled restructuring plans last week.

At Sears, some 7,000 jobs may be affected as the company struggles to attack its cost-base and improve automated procedures.

Such efforts notwithstanding, Moody's, one of the large US rating agencies, still announced a possible downgrade of Sears debt, and signs of another bout of shareholder agitation also developed. At Woolworth, some 10,000 jobs may go as a handful of speciality chains within the retail group are discontinued and other weak areas pruned back.

In short, if oxygen levels are high on Wall Street, the rest of the country is still catching up. How quickly it can do so will determine the market's course ahead.

Monday	3200.13	– 1.35
Tuesday	3204.83	+ 4.70
Wednesday	3203.94	– 0.89
Thursday	3209.53	+ 5.59

Nikki Tait

The Bottom Line

Engineering a way out of the doldrums

THE NEWS coming out about engineering companies recently cannot have been good for shareholders' blood pressure.

The Engineering Employers Federation has said that output continued to fall in the last quarter of 1991 and no upturn is expected until the end of this year. About 170,000 of the industry's workers lost their jobs last year, nearly three times as many as in the previous two years put together.

In the latest edition of the *The Engineer* magazine, a survey of confidence – or lack of it – showed that after a breath of hope in the autumn, sentiment had reverted almost to the "appalling" levels prevailing in December 1990.

It is little comfort that shareholders should already have been braced for bad news not only by the general back-pedalling on dates for a UK recovery, but also by the more engineering-sensitive forecasts from the Confederation of British Industry: fixed investment in manufacturing down by nearly 20 per cent in 1991, with a further fall of 4.4 per cent pencilled in for this year.

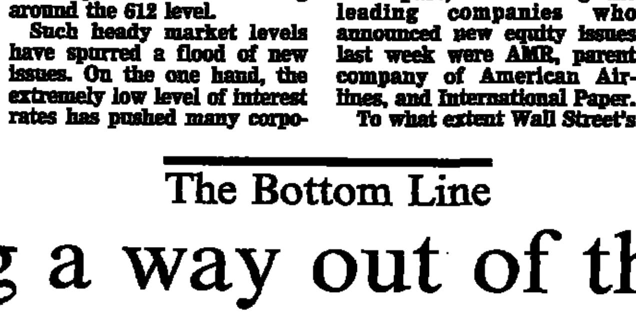
In the City, the accompanying round of profits downgrades and deepening anxiety about dividend prospects have caused the general engineering sector to have a price-earnings ratio nearly 20 per cent below that of the FT-Actuaries Industrial Group, while the yield is appreciably higher.

So is it not time for those with strong nerves to start taking a different view? The comparative cheapness of the sector might make it worth buying for the profits to be made out of the recovery.

Not necessarily, according to John McGee, an analyst at SG Warburg. He points to the underperformance of general engineering compared with the all-share index over the past 15 years, as shown in the accompanying illustration. "People didn't make a lot of money out of recovery stocks in that sector 10 years ago."

Nor was any compensation gained via the dividend. For most of the last decade, engineering companies yielded less than the market.

A history of under performance



Source: Datastream

Timing is also difficult. It takes a while for investment abstinence to feed through to actual workload, or for engineering contracts to be completed, many companies in the sector were relatively late entrants into the recession and may also be late out.

For those prepared to take a longer view, however, a much more positive picture can be painted. Mark Radcliffe, deputy director general of the CBI and head of its National Manufacturing Council, said the "massive restructuring carried out by many companies in the 1980s has made them much better." He cites improvements in productivity and the strengthening of positions in international markets.

As an industrialist, he was quizzical about the stock market's perception of engineering companies. However, some analysts are also making encouraging noises about the medium-term outlook.

Jonathan Getz, at Birmingham-based Albert E Sharp, says the UK's attractions within Europe – illustrated by Japanese investment – include more accommodating employment laws and relatively low labour costs.

Yet judging the sector continues to be a difficult task because of its diversity. Mr Sandy Morris, at County NatWest, says: "It is not quite right that all engineering companies get tarred with the same brush."

There is some convenience in the separation of aerospace, motors and metals companies into their own little sectors, especially as each has its peculiar problems. Aerospace and metals were among the five worst performing sectors in 1991, while motors has joined steel in providing analysts with big dividend worries.

Companies will pay uncovered dividends for one year, but not two, is the expected rule of thumb.

In the general engineering sector, the companies with the best prospects include those which have spread their activities overseas. Siebe and TI Group have strong positions in the US and both showed relatively modest profit declines in the first half of 1991.

Among those that have weathered this recession much better than the last one is Weir Group. Rescued by its banks last time, it has kept cash in hand through this downturn.

Weir raised interim profits by more than a third and it was far from alone in continuing to make progress. In a cursory glance at the list, some of the others that raised their last pre-tax figures are: Babcock, BM, EIS, Halma, Powerscreen, TT and Whessoe.

Those companies which cut their costs in 1991 – IMI, for instance, with 1,200 redundancies – should also have laid the foundations for a better performance.

Although it is early days for any necks to be stuck out, the scene should be set for a better share price performance from the engineering companies in the 1990s.

Jane Fuller

Three initials that spell a pension profit

*AVCs offer people in company schemes an extra option. **John Authers** looks at their advantages and disadvantages*

YOU probably already know how to give your investments more PEP.

But if you want to boost your pension, three other initials might also spell a strong and tax-efficient investment – AVC.

Any member of a company pension scheme – but not personal pension plan holders – can make Additional Voluntary Contributions.

Money paid into AVCs carries full tax relief at your top rate of income tax. This effectively means your contributions when invested in the fund automatically grow by a third, if you pay 25 per cent tax, and by two thirds if you pay 40 per cent tax.

Many people do not realise this. A survey by Family Assurance of 20,000 of its members found that less than one in ten knew how to make Additional Voluntary Contributions.

Perhaps this is not surprising. AVCs sound technically baffling, and their name implies that they are an integral part of company pensions.

However, since the pensions market was liberalised in 1988, with the introduction of personal pensions and changes to the rules on contracting out of SERPS, it has been possible to use AVCs as free-standing investments in their own right. They provide a vital tool in improving your pension beyond the basic amount your company will provide.

PEPs can do this as well, of course, but as end-of-year tax-planning approaches, boosting pension contributions must be considered in the same context as sheltering equity investments from tax.

Virtually all AVCs – with the exception of a few public sector pension schemes – are invested in funds separate from the main scheme. So the fact that you are already committed to a company scheme does not limit the broad range of possibilities facing you when choosing an AVC.

Far from forming an integral part of a company scheme, the AVC could be more simply described as a personal pension plan for people who are already committed to a company scheme.

But the rules are limiting. The maximum you can invest in an AVC in one year is 15 per cent of your gross earnings.

If your company makes all the contributions into your pension scheme, then you are free to put a full 15 per cent of your gross income into an AVC. However, many company schemes require you to make contributions. A typical figure might be 5 per cent of your gross salary. In this case, you would be allowed to put up to 10 per cent of your gross income into an AVC.

Another rule introduced for the new breed of AVCs makes them more of a headache – all the money from an AVC fund started since April 7 1987 must be used to buy an annuity when you retire. The annuity payments are then taxed. You cannot take any cash in a lump sum. There is no such limit on your freedom to spend the proceeds of a PEP.

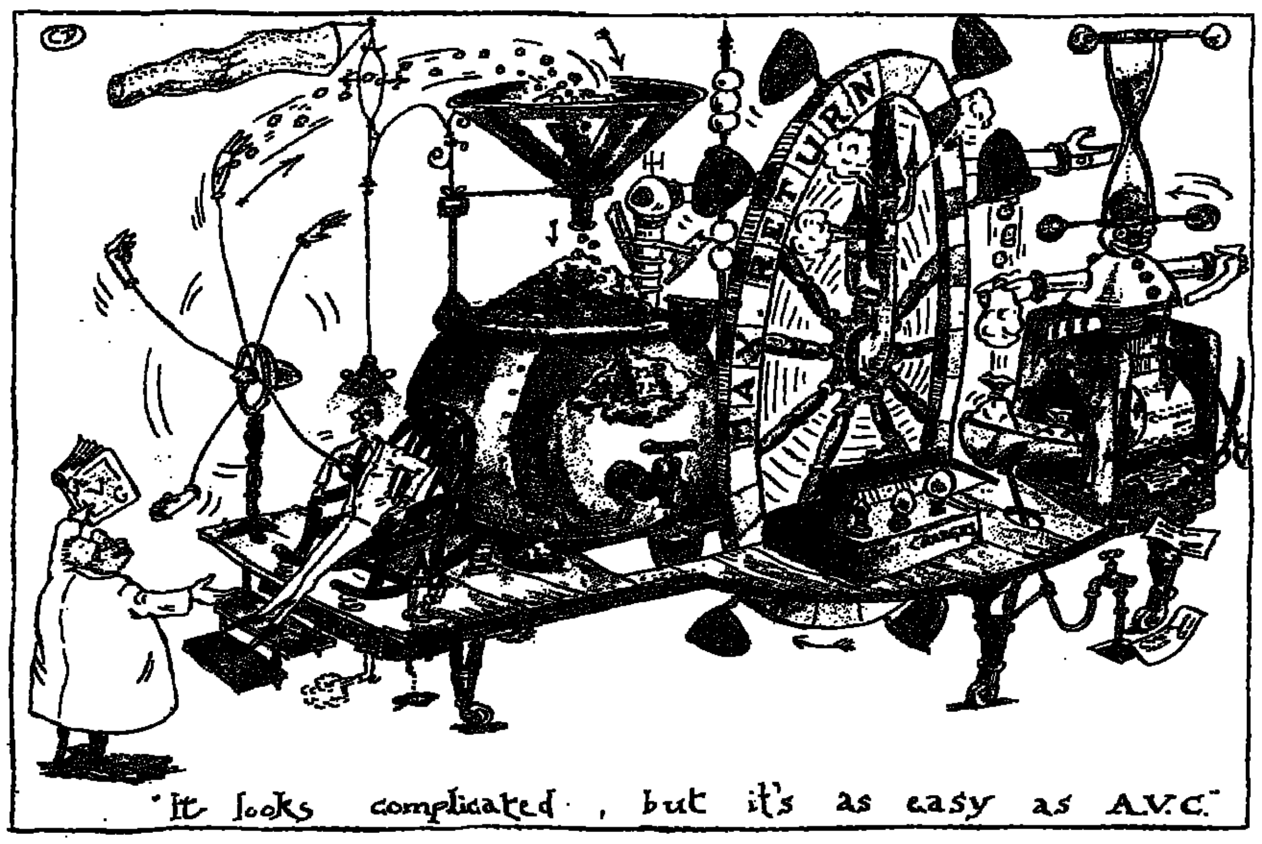
However, Brian Symonds, of Sun Life, points out that an AVC can still increase the size of the cash lump sum you receive when you retire. Your main company scheme may not be prepared to give you the maximum lump sum allowed by the law if you have not built up full pension rights within the fund. The trustees might think it more responsible to put more of your money into the annuity.

If you can show that you have a guaranteed income from the AVC annuity, the trustees are more likely to give you the lump sum.

This is often overlooked, but the restrictions on what you can do with an AVC cannot be overlooked. Also, bear in mind that annuities paid in future would be taxed at the rates prevailing at the time. Buy a PEP or a TESSA, and you must do so out of income which has already been taxed, but it will act as a shelter against future taxes.

Another barrier to understanding AVCs is their division into two forms of AVC contract – freestanding AVCs, and in-house AVCs.

The differences between the two contracts are described in the box (below right), but note that neither is directly related to your salary. Both will build up a fund, and then buy as much income as possible with that.


"It looks complicated, but it's as easy as A.V.C."

The law forces company schemes to offer AVCs.

AVCs can be invested in a full range of funds; unit-linked, with-profits, unit-trust linked or building society funds are all available. This gives AVCs an advantage over PEPs, which can only be invested in equities.

In the long term, equities give the best chance of capital growth. But if you are close to retirement, a broadly based AVC investment offers more security.

There is also a full choice of methods of paying contributions. You can pay by regular premiums, or make a one-off single lump sum contribution into a fund. Most plans are very flexible.

The Labour party, which could win the election due this year, is committed to raising taxes for those on the highest income. This is an incentive to buy a PEP which will deliver a tax-free lump sum no matter what taxes prevail when the plan is closed. It also gives PEPs an advantage over AVCs, because the annuities are taxed as income, and so would not offer any shelter against new taxes.

But this does not mean that AVCs do not have an important part to play for many people, or that the choice between PEPs and AVCs is mutually exclusive.

Money in an AVC is irretrievable until you retire. In a PEP it will make little sense to try to retrieve it for at least five years.

Those in their 30s or 40s, with fairly tight commitments, might limit themselves to a high-yielding PEP, and wait to see how the markets perform over the next few decades.

But if retirement is a little closer, do not forget the wide range of tax-efficient investments open to you through AVCs. If you are sure you can afford to forego the income, there is no reason why you should not take advantage of the tax breaks offered by both PEPs and AVCs.

Once you have decided to put money into an AVC, you still have to choose between FSAVCs and a company scheme.
There are no straightforward rules on which will be better for you. The differences are as follows:

■ The provider of an in-house scheme is chosen by the employer while the employee can choose the provider for an FSAVC.

■ The costs of an in-house scheme can be borne by either the employer or the employee, although the employer should usually be able to negotiate discounts. You will certainly bear the full costs of an FSAVC yourself.

■ Tax relief on in-house contributions is paid immediately at the highest marginal rate. The relief on FSAVCs is less convenient for top-rate taxpayers. Contributions are paid net of basic rate tax, which the provider then reclaims. Top-rate tax relief must be claimed in end-of-year tax returns.

■ Contributions into an in-house scheme often remain fixed, and employers can delay a change in contribution rates for up to 12 months. If you have an FSAVC, terms vary according to the provider, but they should usually be much more flexible.

■ Investment options on an in-house scheme are chosen by the employer. With an FSAVC, it is up to you.
In short, FSAVCs offer much more flexibility and choice, in return for higher charges and possibly more awkward administration.

The key questions

How much you are prepared to contribute?
Maximising your pension is important, but other commitments – such as mortgages – require a share of your income.

This leads to a central problem in pension planning. The time when you could gain the most growth from an investment, below the age of 50, is also when you are least able to save.

Simon Philip, of Chantrey Financial Services, suggests it is best while you still have heavy commitments to set a small proportion of your income for AVCs, and stick to it as a form of self-discipline. If you are not able to say good-bye to the money until you retire, do not put it in an AVC.

■ **How great a pension are you aiming to achieve?**
Inflation makes this a hard question to answer, and virtually any pension illustration can mislead in some way.

But some calculations help. Family Assurance, a friendly society, has launched a pensions guidance service which provides quotations on the level of AVCs you will need to deliver the pension you want.

It does this by assessing the pension rights you have accrued in your company scheme, and converting this into a regular pension, in today's money. It then calculates the amount you would need to pay in AVCs to make this figure up to the pension you are aiming for. The service is free, although Family does take the opportunity to recommend its own FSAVC contract, which is called Freestand.

This makes it easier to work out how much you should contribute. Remember, illustrations must make assumptions about the rate of growth of your AVC, and about inflation. Also, with luck, your salary will rise before you retire.

■ **How good is your in-house scheme?**
Staying with your in-house AVC will give you a quieter life, and should cost you less than an FSAVC. You therefore need to be unhappy with their arrangements before you opt for an FSAVC.

According to Simon Philip, there are two main advantages you could achieve with a free-standing AVC – diversification and improved investment performance.

He suggests that if you have amassed more than £50,000 in the company scheme, taking out a separate AVC might be good, just for the diversification it would bring.

If the in-house scheme offers a poor choice – and some only offer one building society account – then an FSAVC looks better. But some in-house AVCs offer a wide range of funds and allow free transfers between them.

■ **What is your tax position?**
Brian Symonds of Sun Life points out that top-rate taxpayers have a stronger incentive to stay with an in-house scheme. Claiming top-rate tax relief is easier and quicker this way, and can be done immediately, while you have to claim relief via your annual a tax return for an FSAVC.

■ **Will you stay with your current company until you retire?**
If not, the portability of an FSAVC grows more appealing. You could treat an FSAVC as a personal pension, and continue making contributions even if you became self-employed, says Symonds.

If you are considering early retirement, but do not want your bosses to know this, an FSAVC could make sense. Sudden heavy donations into an in-house AVC might raise questions, which you could avoid by using an FSAVC.

■ **Which Free-standing AVC is the best for you?**
Valid performance statistics are not available, as AVCs are long-term investments, and the longest-lived policies have been going for less than five years. The best you can do is choose a group whose unit-linked or with-profits performance in other funds is strong.

But you can find out what the charges are. On unit-linked and unitised with-profits AVCs, a 5 per cent bid-offer spread and 1 per cent annual charges are typical. Keep your charges low. Also, avoid AVCs which restrict your ability to shop around for an annuity when you retire.

Play your (credit) cards right

***David Barchard** with some tips for those who live and shop abroad*

IF YOU want to go shopping across the globe, but pay for what you buy in the UK, there are few payment instruments as convenient as a Visa or MasterCard.

A UK Visa credit or debit card holder, for example, can use his or her Visa card in 9.3m retail outlets across the world.

In addition, most developed countries now have extensive networks of cash machines from which you can draw money from a UK bank account.

Their obvious convenience means that UK Visa cards or MasterCards are increasingly used by expatriates as well as tourists.

Barclaycard, the largest UK card issuer with 8m credit cards and 4m debit cards, says that it has about 150,000 expatriate cardholders. Almost all these people were existing Barclaycard customers who happen to have moved abroad to live or work.

"There isn't much advantage for anyone who isn't a UK bank customer to hold one of our cards, as opposed to that of the bank of the country they live in, because they would have to pay in sterling and they could have difficulty getting foreign currency converted," says a Barclays spokesman.

If you do plan to use a credit card regularly abroad, there are points to bear in mind. One is that you should have the card before you leave the UK. If you do not, you may well find it difficult to get one.

An overseas *Weekend FT* reader writes that he has applied for a card to several of the UK card issuers who offer low interest cards or those without annual charges, but they all turned him down.

The main reason why banks would do this is that if you are not already a current account customer and live overseas, they have little or no hold on you if you chose not to pay your debts.

"Credit card debt is always the first debt people walk away from," says one of the "Big Four" clearers.

A second reason is that if you are resident abroad, you do not have a recent UK credit record which will enable a bank to see what sort of risk you are.

You may be able to get over this problem if you are an existing current account customer of a bank, or if you open a current account and keep a fairly large sum of money in it.

Some banks – Lloyds, for example – will not issue their credit cards to people, even if they live in the UK, unless they are existing customers of the bank.

There can be other problems. If you are resident abroad, you will have to be periodically issued with a new card and you will of course have to pay your bills each month.

That means that there must be certain minimum standards of postal communication between a customer and bank. Even in the advanced industrial countries this cannot be taken for granted.

You may find it difficult to get a card issuer to send you a card if, for example, you live in a country with a poor postal service and high levels of fraud, such as Italy.

Barclays and other large issuers keep lists of "no-go" countries for the card business. Lists change from day to day and some UK postal districts are also on the black list.

You may find it easier to persuade a card issuer to send you some cards rather than others. Debit cards and gold cards seem, in different ways, to be more vulnerable to abuse than straightforward credit cards.

Bear in mind that with sophisticated card fraud now worldwide, there are additional risks. If a dispute between you and your card issuer arises, it may be harder to resolve from abroad and you may find that legal rights are affected by overseas status.

Expatriates

Revenue changes will hit leave pay

THE LAST quarter of 1991 was not, from a tax point of view, a good time for those expatriates planning to return to the UK.

First, the rules regarding the UK tax treatment of various kinds of lump sum termination payment were tightened.

Then, in December, the Revenue announced impending changes to the tax treatment of those expatriates who continue to receive leave pay after completing their active employment and returning to the UK.

The December changes relate to a relief introduced in 1974 as part of measures concerning the taxation of overseas earnings. This ensured tax exemption on remuneration earned in the course of a "qualifying period" lasting for 365 days or more, regardless of whether or not a full tax year was involved.

"Qualifying period" encompasses not only days spent overseas but also intervening days spent in the UK, provided they do not exceed 62 consecutive days, or one sixth of the days in the period. The exemption also extends to any terminal leave immediately following the qualifying period.

The benefit of this legislation has been accorded to UK residents and non-residents alike, and has ensured exemption from tax of terminal leave pay. Unfortunately, the December announcement makes clear that for all who become resident in the UK from and after April 6 1992, days of non-residence will no longer count towards a qualifying period.

This change will have unfair results. Someone who has worked overseas for, say, 20 months without becoming non-resident will be exempt from tax on leave pay, whereas a non-resident of 20 years standing will not.

This could have serious consequences for those with long periods of paid leave, such as pensionable officers in Hong Kong, for whom leave pay extending to a year or more is not uncommon.

For years before the proposed changes, leave pay either attracted no liability or could easily be avoided. Now, avoiding liability will very much depend on an individual's circumstances.

So, what can you do?

If, following your return to the UK, you have no choice but to draw your leave pay month by month, you will at first sight be caught by the new regulations.

But if you are a public sector employee, and you worked in a country with a full Double Taxation Agreement with the UK, your leave pay may be exempted. However, if you are a private sector employee, you will have no entitlement to UK exemption, although you may be able to obtain this from the country in which you worked. In either case, caution is necessary – not all Agreements incorporate the necessary provisions.

If you can re-negotiate your contract so that you are paid for leave entitlement during your active service, the problem will disappear.

Unfortunately, the simple expedient of obtaining payment in advance from your overseas employer before you return to the UK might not solve the problem. As a result of the "receipts basis" of Schedule E, introduced in 1989/90, the payment will be taxable in the year of receipt, even if you were then still abroad and non-resident. But even in this case liability might be excluded by a Double Taxation Agreement.

Another option is to ensure that you remain UK non-resident throughout your leave. This might be less difficult than it would appear since your full time overseas employment will, technically, be continuing during the period of your leave.

This means that in deciding your resident status, the Revenue should leave out of account any available accommodation which you may have in the UK. So you need only ensure that your UK visits exceed neither 182 days in any tax year, nor 90 days per annum over any period of four consecutive years.

However, this assumes that you do not decide to remain permanently in the UK until your final return.

Another approach could be to accept UK residence as soon as possible. For example, if you arrive in the UK in March 1993, you would normally be regarded as resident from that point as a result of a concession. If you decline the concession, you will be treated as resident from the preceding April 6, thus starting off a qualifying period.

By a regime of judicious absences, (during which you do not have to be working) you might be able to build up a period of 365 days or more. If you do so, the leave pay relative to the period will be exempt, as will that which immediately follows it, even though you are then back in the UK.

Remember that if you become resident in the UK sooner than necessary, there could be undesirable results on the tax treatment of any non-salary income and capital gains. Consequently, there is no easy answer: expert advice is needed.

Donald Elkin

■ *Donald Elkin is a Director of Wilfred T Fry Limited of Worthing, West Sussex.*

The Week Ahead

CONGLOMERATES may be out of fashion, but Tomkins is expected to deliver a healthy interim profit increase of perhaps 35 per cent on Monday.

With Philips Industries, acquired in August 1990, in for the full six months, pre-tax profits are estimated to have risen from £31.2m to about £42m. Two thirds of the group's sales are in the US and Murray Ohio, maker of lawnmowers and bicycles, is thought to have performed particularly well.

Stockbroker analysts in the City expect TSB, the sixth largest UK banking group, to announce a pre-tax loss of between £30m and £60m for 1991, when its annual results are published on Thursday.

TSB may have to put aside about £665m in provisions against bad loans. A year ago TSB posted pre-tax profits of £312m, but heavy losses by Hill Samuel, its merchant banking arm, drove it into a £150m pre-tax loss at the half-way stage.

Asda, the hard-pressed grocery chain, is due to announce a ghastly set of full-year results on Wednesday. The food retailing industry has recently been affected by a worrying fall in sales volumes and Asda has suffered more than most. It is believed that sales at some of its older stores have been running more than 8 per cent down on last year, causing a heavy erosion of margins.

Small shifts in sales can have a huge impact on profits because of grocers' high operational gearing and analysts have therefore forecast a wide spread of profits estimates ranging from £5m to £35m. Last year Asda made £58.6m at the half-year stage.

Stakis, the hotel and nursing homes group where Sir Lewis Robertson took over as chairman last March, produces its full year results on Tuesday. At the half year stage Stakis lost £45.1m, including £44m write-offs as part of Sir Lewis's rescue, which included the sacking of Andros Stakis as chief executive.

Analysts are forecasting a full year pre-tax loss to the end of September of between £47m and £50m varying according to their assessments of how badly Stakis has traded in the second half, during which it has sold its pubs but not disposed of its casinos.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
AmBrit	9.8	9	8	6.46	United Energy
Baker Harris	71½	68	53	9.41	Herring
Cityvision	48* ◆	50½	25	67.9	Blockbuster UK
Do. 8.5% Cnv Pf	80* ◆	88	66	7.1	Blockbuster UK
New England Pr ‡	17*§	16½	14	11.91✣	TR Prop Inv Tst
Security Archives	276*	272	234	17.68	Brambles Inds.
Steetley	373	352	274	583.15	Redland
Sterling Trust	41*§	64	56	10.79☆	Robert Fraser
Wilding Office Eq	19	13	27	3.55	Pentos

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30pm prices 10/1/92. †At suspension. §§Shares and Cash. ✣ For 70.18% not already owned. ◆ Or alternative of 1 Blockbuster share valued at 50p for each Cityvision ord. share, and at 80p for each Cityvision pref. share. ☆ For 49.5% not already owned.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Aberdeen Trust	Sept	1,230	(2,750)	3.06	(4.43)	2.5	(2.5)
Alexanders Holdings	Sept	701	(1,900)	1.18	(3.56)	1.0	(1.0)
Barr (AG)	Oct	4,750	(4,381)	17.28	(16.03)	5.46	(5.2)
Clarke Foods	Oct	1,130	(903)	5.7	(4.7)	2.25	(2.0)
Dewhurst	Sept	643	(1,020)	4.03	(5.99)	1.8	(1.7)
FNFC	Oct	33,700 L	(36,400)	-	(16.3)	-	(13.0)
M&W	Sept	2,150	(1,990)	9.21	(9.74)	2.25	(1.0)
Securicor	Sept	33,000	(51,900)	16.7	(22.5)	2.336	(2.123)
Security Services	Sept	20,400	(36,100)	12.0	(19.7)	4.488	(4.08)
Soundtracs	Nov	546	(544)	3.79	(3.58)	2.2	(2.2)
Treatt	Sept	1,180	(1,030)	8.53	(7.17)	3.4	(3.25)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Abbey	Oct✣	367	(67)	-	(-)
Banks (Sidney C)	Oct	1,250	(1,140)	2.75	(2.5)
Banner Homes	Sept	483 L	(288 L)	-	(-)
Bespak	Nov	2,980	(2,040)	3.5	(3.0)
Carclo Engineering	Sept	2,870	(4,310)	1.71	(1.71)
Cassidy Brothers	Oct	659	(458)	0.75	(-)
Dixons Group	Nov	17,500	(27,200)	1.6	(1.6)
Druck Holdings	Sept	2,400	(2,140)	3.4	(2.8)
Goode Durrant	Oct	2,640	(5,330)	2.15	(2.15)
Hadleigh Industries	Sept	263 L	(1,100)	1.25	(2.2)
Hollas Group	Sept	235	(332)	0.6	(0.6)
Isosceles	Nov	17,000	(700)	-	(-)
Jones Stroud	Sept	2,490	(2,700)	3.0	(3.0)
Misys	Nov	3,590	(1,520)	2.27	(2.16)
Platignum	Sept	192	(331 L)	-	(-)
Property Security	Sept	3,000	(1,420)	1.5	(1.25)
Savills	Oct	762 L	(433 L)	-	(-)
Symonds Engineering	Sept	124	(83)	0.3	(0.3)
Vardy (Reg)	Oct	2,020	(2,100)	1.3	(1.2)
Williamson Tea	-	-	(-)	10.0	(10.0)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. ✣ = Figures quoted in Irish pounds & pence.

RIGHTS ISSUES

Clarke Foods is to announce a rights issue to raise £7m.
Manx Petroleum is to raise £650,000 via a 1-for-1 rights issue at 55p.
Whessoe is to raise £8.1m via a 1-for-4 rights issue at 185p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Exeter Preferred Capital Invest Tst is to join the main market via an offer for subscription.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Burndene Investments	Tuesday	3.0	5.5	2.0
Colorvision	Wednesday	2.5	3.1	2.5
Crown Communications Group	Tuesday	1.6	-	-
Davenport Vernon	Thursday	1.5	2.5	1.5
Eurotherm International	Tuesday	2.5	4.55	2.5
Evode Group	Monday	1.78	4.64	1.78
First Leisure Corp.	Wednesday	1.55	3.5	1.74
First Philippine Inv Tst	Wednesday	-	1.13	-
Group Development Capital Tst	Wednesday	-	0.2	-
Hawtin	Monday	-	0.82	-
Kunick	Friday	0.8	1.4	0.8
London Scottish Bank	Wednesday	0.87	1.87	0.87
Lookers	Thursday	2.0	4.2	2.0
Lowe (Robert H)	Monday		-	
LPA Industries	Friday	1.65	1.87	1.65
Microgen Holdings	Thursday	2.2	4.8	2.2
St Andrew Trust	Friday	2.5	4.7	2.7
Selective Assets Trust	Thursday	-	0.75	-
Southern Business Group	Wednesday	0.94	1.62	1.03
Stakis	Tuesday	0.9	1.8	0.45
TSB Group	Thursday	3.15	3.25	3.15
Witan Investment Company	Thursday	2.25	2.5	2.5
INTERIM DIVIDENDS				
Aberforth Split Level Trust	Tuesday	-	-	-
Abtrust Scotland Invest Co	Friday	-	0.55	-
Asda Group	Wednesday	1.85	2.95	-
Barbour Index	Tuesday	2.2	4.4	-
Bucknall Group	Tuesday	1.3	3.5	-
Dalepak Foods	Monday	1.2	3.8	-
Debenham Tewson & Chinnocks	Tuesday	2.4	3.8	-
Ellis & Everard	Monday	2.25	4.8	-
Excalibur Group	Monday	0.4	1.4	-
Exmoor Dual Investment Trust	Tuesday	-	1.84	-
Fletcher King	Monday	1.6	0.5	-
Hampson Industries	Thursday	0.8	1.77	-
Howden Group	Tuesday	1.59	-	-
Lazard Select Investment Tst	Friday	-	245.5	-
Markheath	Thursday	2.0	2.0	-
Nobo Group	Tuesday	2.42	4.18	-
Peel Holdings	Friday	1.0	2.0	-
Real Time Control	Monday	-	3.0	-
Stanley Leisure Organisation	Thursday	1.8	3.05	-
Sutcliffe Speakman	Friday	-	-	-
Tomkins	Monday	2.8	7.06	-
West Trust	Tuesday	0.25	-	-
Wyko Group	Wednesday	1.4	1.4	-
Zetters Group	Wednesday	1.75	6.25	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

The Fund Managers

Fidelity's short-term blip

***Heather Farmbrough** on the investment record of a performance-driven company*

FOR A while in the 1980s, there seemed to be no stopping Fidelity Investments. Its aggressive, performance-driven management style attracted plenty of funds and some of the brightest fund managers.

But Fidelity has fared less well in the more depressed markets of the last two or three years; its UK funds have been disappointing and the image seems a little faded. Is this a temporary blip or a terminal decline?

Dick Haberman, chief investment officer of Fidelity Investments in the UK, admits that the company "has not produced the results we would have liked in the UK" recently, but says the style will not change.

The Fidelity approach is not to sit behind a desk looking at sector allocation. The emphasis is on being out in the field, visiting companies, talking to management and picking stocks. Managers have great leeway and the support of in-house analysts. They are rewarded generously when they perform well, but mediocrity is not tolerated. This kind of approach is unlikely to produce either a relaxed atmosphere or middle of the road performance.

Fidelity first started managing money in Boston in 1964. Its UK operation, also an independent company owned by its executives, was started in the UK in 1979. The US company currently has some $143bn (£78.5bn) under management.

In the UK, funds under management are £3.3bn, of which £1.8bn is in unit trusts. These are run by nine managers in the UK, two in the US and two in the Far East. Fidelity has 30 analysts in the UK and 100 in the US.

The weakest spot in Fidelity's portfolio is its UK income and growth funds. Haberman admits "we have to do some work" on Growth & Income, which has been rather disappointing for the last three years. The performance of the higher yielding Income Plus fund has also been below average.

The most noticeable laggard is Special Situations, which enjoyed a meteoric rise at the end of the 1980s – indeed, it is fourth out of 63 UK growth trusts over seven years. However, its run appears to have come to an end; over the last three years, it has been 105th out of 126 in the sector.

The trust tends to buy cheap, unfashionable companies which are usually in the higher risk/reward category, and these often perform worst in times of recession and nervous stock markets. Recovery's performance slipped over 1991, for similar reasons.

Both funds include several companies which have heavy borrowings and Haberman believes that "the banks are pulling the plug on them much faster than they used to because they are worried about non-performing loans." This again affects sentiment and all highly geared companies tend to get marked down together.

Fidelity's £440m European fund had a bad time over most of 1991. Manager Anthony Bolton attributes this to being too cautious about economic growth in Europe. However, there has been a recovery and the fund is still top in the European sector over five years.

Sally Walden manages both the smaller 1992 and European income funds, which have very similar record over three years. European Income invested heavily in financial stocks last year, and the fund benefited from its relatively defensive stance. Only about 20 to 30 per cent of the fund is in fixed interest stocks. The Opportunities fund invests in companies (including the UK) which are supposed to gain from de-regulation or mergers and takeovers as a result of the single market.

Moneybuilder and Managed International are run along slightly different lines. Manager Bruce Russell has to take less of a "bottom up" approach and concentrate instead on asset allocation. The responsibility for choosing the actual stocks in the funds rests with individual managers. Managed, which invests in shares in several countries, has done well over both one and three years, but Moneybuilder, which invests in Fidelity unit trusts, has been disappointing, owing to holdings in the European and Special Situations trusts.

In the US, the American Equity Income fund is in the bottom 25 per cent of its sector on both a one and three year view. It is hoped that moving the manager from London to Boston will help, as Boston's income funds have a good record. Nevertheless, Haberman admits "the jury is still out", although he claims some underperformance was predictable since defensive income stocks have been out of favour in the US.

In contrast, smaller companies have bounced back, and this has been reflected in a strong performance by the US Special Situations fund in 1991. The larger, American growth fund is in the top 25 per cent of its sector over three years. These funds are also run from Boston, although by different managers.

Fidelity unit trusts	Size (£m)	Launched	3 year performance	Sector average
American	190.0	1979	+61.2	+38.9
Amer Equity Inc	30.0	1984	+22.6	+38.9
Amer Spec Sits	44.0	1980	+44.9	+38.9
ASEAN	18.0	1990	n/a	n/a
Cash	53.0	1989	n/a	n/a
European	442.0	1985	+28.5	+21.0
European Inc	31.0	1987	+32.8	+21.0
Far East Inc	7.0	1985	+0.4	-0.1
Gilt & Fix Int	16.0	1979	+17.2	+12.5
Global Convert	12.0	1987	-4.9	-7.6
Growth & Income	77.0	1979	+8.4	+19.6
Income Plus	64.0	1980	+6.2	+9.2
Intl PEP	17.0	1990	n/a	n/a
Intl Bond	18.0	1987	+15.2	+17.2
Japan	49.0	1981	-20.9	-11.4
Japan Small Cos	51.0	1987	+15.7	-11.4
Japan Spec Sits	145.0	1984	-14.3	-11.4
Managed Intl	18.0	1982	+23.8	+12.6
Moneybuilder	15.0	1988	+8.2	+10.1
1992 Euro Opps	35.0	1988	+30.5	+21.0
Recovery	24.0	1987	-23.2	+10.9
SE Asia	142.0	1984	+36.5	+44.9
Spec Sits	256.0	1979	-8.6	+10.9
UK Growth	18.0	1985	+21.9	+10.9

Source: Finstat. Offer-to-bid with income reinvested over 3 years to January 1.

In the Far East, the record is mixed. The Japanese smaller companies fund has done well over three years and the Far East Income fund is top of its sector over two years; the other trusts have achieved below average performances. Fidelity puts quite an effort into the region and has built a team of local analysts and managers who should be at an advantage in appreciating and understanding the complexities of the Far East.

Far East income's performance owes much to being underweight in Japanese equities over the past year. About half of the trust is in yen bonds and some 5 to 10 per cent in convertibles, the rest equities.

Much of Fidelity's recent underperformance can be attributed to misreading the economic scenario and its value-based stock-picking style, which fares badly in depressed markets.

If you buy Fidelity unit trusts, you are taking a risk, but historically this has paid off. Over the long term, when equities usually outperform other forms of investment, Fidelity's approach has worked. The group's Special Situations fund, for example, has the sixth best performance of *all* unit trusts over 10 years.

Directors' Transactions

THE RATIO of director purchases to sales in December was 3.25:1, almost approaching the level seen in the autumn of 1990. Conglomerates and the oil & gas sectors appear as the most heavily bought during the month.

The sale in Vodafone is by Sir Ernest Harrison, the chairman, who also sold 1.5m shares in September.

Sir Ernest is also chairman of Racal Electronics, in which he has invested several million pounds in recent months.

Sales in J Sainsbury continue a trend noticed over the last 12 months in the food retailer sector, although these, in particular, are relatively small in relation to the directors holdings.

The three directors buying in Tarmac are the chairman, the managing director and the finance director, with the latter two increasing their holdings by a substantial margin.

Tarmac has appeared here twice of late, with substantial buying by two non-executive directors.

The sale of 25,000 shares in MB Caradon is by Sir Eric Parker, a non-executive director, who invested a similar amount of money in Trafalgar House at its current depressed share price a few weeks ago.

Angus MacDonald,
Directus Ltd.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Austin Reed "A"	29,800	42	1
Boxmore Intl	66,500	168	2
Courtaulds	55,000	282	1*
Elect Data Processg	10,000	30	1
Farnell Electronics	6,000	13	1
Ivory & Sime	63,922	79	1
MB Caradon	25,000	66	1
Plysu	20,000	46	1
Sainsbury (J)	17,100	63	3
Tate & Lyle	160,000	650	1*
Vodafone	579,478	2,057	1
Volex	3,916	10	1
Wellcome	18,236	164	1*
PURCHASES			
Astec (BSR)	200,000	25	2
Sanderson Elect	22,000	26	1
Scottish Value Trst	25,000	12	1
Staveley Industries	11,000	19	2
Tarmac	60,000	62	3

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 30 Dec 1991 - 3 Jan 1992.

Source: Directus Ltd, Edinburgh

FINANCE AND THE FAMILY

*How to . . . lock in high returns. **Scheherazade Daneshkhu** looks at the various packages which offer guaranteed income*

It may be time to fix the rates on investments

SAVERS may be content with interest rates of 11 per cent or so and inflation at 4 per cent. But could this be the time to lock in to rates while they are still in double figures?

The pound's current difficulties mean that the next move in interest rates may be up rather than down. But the whole idea of joining the Exchange Rate Mechanism was that its discipline would help both interest rates and inflation fall over the longer term. It is hard to imagine that interest rates will still be in double figures in 1995 if inflation does not rise from current levels.

What options are there for those who would like to fix the rates on their investments?

■ Guaranteed income bonds: You invest your money with an insurance company for a fixed period of time and in return you are paid a fixed interest rate during that period. The company guarantees to repay you the capital when the bond matures. Payment of income is usually made annually, though some insurance companies will pay *on a monthly basis.*

The returns are paid net of basic rate income tax, which cannot be reclaimed. They are thus unlikely to be suitable for non-taxpayers. Higher rate taxpayers will face a further charge when the bonds are cashed in. This should be slightly less than they would have paid had they held the money in a conventional building society account.

Baronworth Investment Services recommends Providence Capitol as its best buy for a five year guaranteed annual income bond of £10,000 or more. It is paying out 9.4 per cent on £10,000 to just under £25,000 and 9.5 per cent on amounts of £25,000 or above.

Baronworth's best buy three year bond is from Prosperity. Rates are 9.15 per cent on £5,000 to £25,000 and 9.2 per cent on £25,000 or above.

■ Annuities: You pay an insurance company a lump sum in exchange for a fixed sum of money paid to you at regular intervals. The annuity will pay you a high return, sometimes over a specified period (a temporary annuity) or more usually, until death (an immediate annuity). Effectively, a large part of the return is the repayment of your capital. This has some tax advantages but the consequence is that when you die, your estate will have lost the value of the initial annuity investment.

The nature of annuities is that the insurance company *does badly out of those* who live on to a ripe old age. As a consequence, the older you are, the higher the income an insurance company is prepared to pay. The rule of thumb is that immediate annuities are not good investments for people under 70.

Rates on annuities vary so it is important to look around insurance companies for the best deals. The best temporary annuities (nine years) for a man aged 70 with a down payment of £10,000, according to Baronworth, come from Sun Life of Canada with £2,044 a year and Equitable Life with £2,025.40. Best immediate annuities (on the same assumptions) are also from Sun Life of Canada with £1,563.24 per year and Co-op Insurance with £1,530.40.

The above rates relate to annuities bought "voluntarily" and not to the compulsory purchase annuities, which must be acquired with the proceeds of a personal pension.

There are also more complicated contracts which provide a measure of inflation-proofing – index-linked annuities increase in line with the retail prices index, and increasing annuities guarantee to increase their pay-out by a fixed amount (normally 5 per cent) each year. Both provide lower initial income as a result.

■ Gilts: British government stocks may not be the most exciting form of investment but economic uncertainties have made them popular with some experts at the moment.

Conventional gilts provide a fixed rate of interest over a specified period, paid at half-yearly intervals. There are a variety of issues, paying different interest rates with different redemption dates. The government repays them at their face value on maturity. As a result, when you buy them, you are certain of their return provided you are able to hold them till redemption. This return, called the gross redemption yield, currently varies between 9.5 and 10 per cent.

Since gilts are bought and sold on the stock market until their redemption date, their price can rise and fall after you buy them. The price normally varies in inverse relation to interest rates. As interest rates rise, the price tends to fall; and vice versa.

If you think that interest rates will fall and that the price of gilts will go up, then *you could buy gilts in the hope* of making a capital gain in the short term. There is no capital gains tax to pay on gilts, though you will have to pay income tax on the interest.

If you are a non-taxpayer, buy gilts through the National Savings Stock Register at the Post Office, where the income is paid without tax being first deducted. Otherwise gilts can be bought from stockbrokers and through the larger banks.

The type of gilt that you choose depends essentially on whether you want to make a capital gain or are more interested in the income. If you buy gilts at prices below face value, a greater proportion of the return will be in the form of tax-free capital gain, but the annual income will be lower. Gilts priced above face value will pay a higher income but could face investors with a capital loss.

■ National Savings: Apart from gilts, other National Savings products that offer fixed interest are Savings Certificates, the Yearly Plan and Capital Bonds.

The 36th issue of Savings Certificates pays 8.5 per cent if held for five years, equal to 14.17 per cent for a higher rate taxpayer. Each unit costs £25 and the limit is £10,000 per issue. In addition, husband and wife can each hold the maximum £10,000 worth of certificates in trust for each other, and issues can also be held in trust for children. There is no *income or capital gains tax to* pay.

The Yearly Plan is a scheme for saving once a month for a year to buy a Savings Certificate at the end of the year. Savers pay a fixed amount between £20 to £200, by monthly standing order. This means that the maximum value Savings Certificate that you can obtain through the Yearly Plan is £2,400. The certificate must be held for a further four years to earn the full current return of 8.5 per cent. Savers can hold £10,000 in National Savings certificates *and* have the Yearly Plan.

Non-taxpayers may be particularly attracted by Capital Bonds which pay gross, rather than tax-free, interest which is given automatically to non-taxpayers. The bonds must be held for five years in order to obtain guaranteed growth.

■ Debentures and Convertibles: This is a riskier way of fixing your income.

Debentures are issued by companies wanting to raise money, and are secured on an asset (typically property). They operate in a similar way to gilts in that they pay a fixed rate of interest and are repaid at the end of a specified term.

Convertible bonds can be exchanged into shares of a company at a future date. This potential for profit means that the bonds tend to carry a lower interest rate, and the price is more volatile. There are accordingly two risks.

*If the share price of the com*pany never reaches a level which makes conversion worthwhile, you will almost certainly have been better off investing in gilts. And if the company goes bankrupt, you are likely to lose your investment completely; this is an area where it is important to get good advice.

Capel-Cure tops unit trust charts

***Philip Coggan** examines a decade of performance*

KEY Income, the unit trust run by Capel-Cure Asset Management, was the best performing open-ended fund during the last ten years. Investors who placed £1,000 in the trust in January 1982 would, if they had reinvested their income, have seen their money grow to £7,845.

This week, Capel-Cure sold its subsidiary, Key Investments, to National & Provincial Building Society. Fund management of Key Income will stay with Capel-Cure, however, but ownership by N & P should improve awareness and sales of the Key funds.

The excellence of Capel-Cure's long-term investment record is shown by the fact that two further trusts in its stables, Capability Special Situations and Capability Income & Growth, are also in the top ten.

UK equity-based funds dominate the rankings, as highlighted by the showing of UK equity income and UK equity general as second and fourth best performing sectors over the ten years to January 1 1992.

If one looks back at the same exercise we conducted at the start of 1991, one can see how slowly the ten year tables change. Seven of the funds in the current top ten were also in the rankings last year; Key Income has moved from second to first, while James Capel Income has slipped from first to fourth place. This year's "new entries" are Equity & Law High Income, Capability Income & Growth and Hill *Samuel European.*

A similar pattern can be found among the sectors with the best three exactly the same as in last year's list (though the position of International Balanced is still based on just one fund) and the worst four also being the same, albeit in a slightly different order.

On a three-year basis, which is the shortest period on which a unit trust investment should be judged, the tables change more rapidly. Only one of last year's top ten, F & C US Smaller Companies, is in this year's rankings.

The effect of 1991's stock market performances has, of course, a much greater impact on three year than on ten year performance tables. Last year, the performance of US shares, particularly those of smaller companies, was very strong; whereas the tables had previously been dominated by south-east Asian funds.

The Far East (excluding Japan) sector is still the best over three years, followed by North America. But the slim pickings for equity investors in 1989-91 are highlighted by the fact that money market funds have been the third best sector *over three years. Worst over* the period have been financial & property, Japanese and UK smaller companies funds.

The probability is that the short-term performance tables will always be dominated by the specialist markets. Gilt and money market funds, for example, led the one year tables of 1990 because stock markets round the world fell that year.

To date, the long-term performance tables, however, have illustrated the wisdom of purchasing the less volatile UK equity funds, although admittedly many specialised funds do not have a ten year record.

The fund management group that comes out best of the three year performance tables is Framlington. Apart from the highly specialised Health fund, which is top of the rankings, the group also has its American Smaller Companies and International Growth funds in the table. The only management group with a fund in the top ten of both three and ten years is that old reliable, M&G.

Finally, what about that old investment' theory, that you should buy the worst performing trust of last year to get outperformance the following year? It did not work in 1991. The laggard of 1990, Barclays Unicorn Japan & General, fell a further 2.6 per cent.

Any diehard believers will have to opt this year for MGM Special Situations which has turned £1,000 into £705 over one year and into £402 over three. Alternatively, you could try this very good horse in the 2.30 at Chepstow . . .

Best unit trusts over ten years

	% gain
Key Income	684.5
Capability Spec Sits	673.8
Eq & Law High Inc	609.0
James Capel Inc	600.1
M&G Mid & Gen	575.6
Fidelity Spec Sits	568.3
Capabil Inc & Gth	566.7
Gartmore Income	541.9
Hill Samuel Europe	538.7
Bishopsgate Prog	537.7

Source: Micropal, Offer-to-bid with income reinvested over 10 years to January 1.

Best sectors over 10 years

	average % gain
Int Balanced	471.8
UK Equity Inc	405.2
Europe	394.1
UK Equity Gen	369.2
Inv Trust units	333.5

Source: Micropal, Offer-to-bid with income reinvested over 10 years to January 1.

Best unit trusts over three years

	% gain
Framlington Health	163.0
Cannon North Amer	128.2
F&C US Small Cos	104.2
Perpetual Amer Grth	87.2
Hill Sam US Sm Cos	85.3
Alld Dun Secs of Amer	79.5
Invesco SE Asia	78.8
M&G Amer Small Cos	78.5
Framl Amer Small Cos	77.1
Framl Intl Growth	76.9

Source: Micropal. Offer-to-bid with income reinvested over 3 years to January 1

Worst unit trust sectors over 10 years

	average % gain
Comm & Engy	42.2
Australasia	103.5
Convertibles	160.1
Gilt & Fixed	162.7
Int Fix Int	171.2

Source: Micropal. Offer-to-bid with income reinvested over 10 years to January 1.

Insurers' bonus gloom

THE JANUARY round of bonus declarations by life insurers has produced some unpleasant news for investors.

The trend is uneven, but bonuses and pay-outs on with-profits pension and endowment policies, particularly over ten years, are heading down.

Two reasons are given:

■ The stock market had a bad year in 1990, and

■ Many analysts are predicting lower yields for the coming decade. If this is right, bonuses must come down now, or offices will have difficulty meeting their commitments in future.

Comparisons between bonuses are unwise, as the structure of reversionary bonuses, which are awarded annually and cannot be taken away, and terminal bonuses, awarded when the policy *matures, varies from office to* office. It is better to make a straight comparison of final pay-outs made.

The standard industry practice is to quote pay-outs for endowments started by men aged 29, and paying monthly premiums of £30.

Norwich Union set the tone last month by announcing it had lopped 9 per cent off 10-year pay-outs, to £7,532, and 5 per cent off 25-year pay-outs, to £60,073. Others followed suit.

Yesterday, Commercial Union bucked the trend. It cut its reversionary bonus, but the pay-out on 25-year policies increased 6.3 per cent to £65,596. This is the highest so far, and may well remain so. On ten-year policies, which do not include the strong growth of the late 1970s, CU cut its pay-out from £7,645 to £7,484.

CU attributed its success to the conservative strategy of paying out large reversionary bonuses. This makes its policies more secure.

'The inflexibility of endowments now looks even less attractive'

Lower reversionary bonuses give investment managers more freedom to take advantage of big gains in the stock market but mean that final pay-outs can be over-reliant on terminal bonuses.

The higher the stress on terminal bonuses, the narrower the difference between "with-profits" policies and straightforward unit-linked policies.

Last year, terminal bonus accounted for only 29.8 per cent of CU's 25-year pay-out (compared with 63.0 per cent for Standard Life, last year's top performer). CU looks like a good haven for the nervous.

Guardian Royal Exchange, which finished bottom in last year's *Money Management* magazine survey of 10-year pay-outs, has cut its final pay-out on a 25-year endowment policy by 4.9 per cent compared with January last year, while for a 10-year policy the reduction is 7 per cent. Using the standard assumptions, a 10-year endowment would now pay £5,479, on total premiums of £3,600.

Last year, GRE's 10-year pay-out of £5,887 was £641 lower than the next-worst pay-out of the 49 offices surveyed, and it has cut pay-outs on 10-year endowments every year since 1986, when a similar policy would have paid out £7,196. Past performance, is no guide to future returns, but it is hard to imagine many independent brokers recommending GRE 10-year policies.

Michael Auld, of GRE, points out that GRE's 25-year performance is more competitive, and adds: "I think there's a move in the market by one means or another to reward to those who have contributed to the life fund for the longest time."

John Authers

Simple duties of pensions trustees

***Debbie Harrison** describes the straightforward but little understood obligations of the UK's 300,000 fund trustees*

THE responsibility for more than £300bn of pension fund assets rests on the shoulders of 300,000 trustees in the UK, yet all too often this vital function is performed by people who have no clear idea of their legal duties.

All occupational pension schemes in the UK are written under trust, for three important reasons:

■ To separate the pension fund from the rest of the company's assets. This in theory protects the fund – for example from creditors if the company goes bust;

■ To manage money on behalf of others. In this case the money is managed on behalf of the scheme members who for tax reasons cannot gain access to their portion of the fund until retirement.

■ To get Inland Revenue approval to qualify for tax benefits, for example tax relief on employee and employer contributions and tax free roll up of the fund.

A trust cannot exist without a trustee who, as legal owner of the fund, is obliged to look after the assets on behalf of the beneficiaries. In the case of pension funds the beneficiaries are the scheme members, including retired employees drawing pensions and ex-employees with deferred pensions. The dependants of scheme members also are classed as beneficiaries.

It is worth stressing that the responsibility of the trusts is to the beneficiaries and not to the employer, the trade union or any other group within the company.

Most companies appoint between two and four trustees. In the case of small companies the trustees tend to be drawn from the management team, for example the managing director, the finance director or company secretary. Larger companies often have works' trustees as well who are elected by scheme members. Trustees may receive expenses but otherwise they are not paid for their work except where a professional firm undertakes the task.

Lay trustees are not expected to be pension experts, but to do the job properly it is vital to understand the main legal and financial duties. Unfortunately, companies are not obliged by law to provide training and according to a recent survey carried out by the Alexander Consulting Group, almost a third of trustees receive no formal preparation for the job. The same survey found that almost half of the trustees in the UK take no role in the decision making process of funds.

The real victims of this waste of talent are the pension scheme members who depend on the trustees to prevent foul play or sheer incompetence on the part of the employer and professional advisers.

Robin Ellison, senior partners with pensions solicitors Ellison Westhorp, and author of a guide on the subject,* stressed that trustees should not be deterred by the apparent complexity of the job.

"The job of trustee is a legal one and not actuarial, managerial or accounting. Providing you are honest, sensible and take proper advice you can do a lot of good and come to very little harm," Ellison said.

The trustee's first job is to read and, if possible, understand the trust deed which, among other points, sets out how the fund is to be invested and the winding up procedure. The deed also gives guidelines on contributions to the fund and benefits paid out.

Ellison's guide highlights the five most important clauses for the trustee in this deed:

■ The delegation power. This allows the trustee to appoint professionals such as actuaries and investment managers to see to the fund's day to day running, although overall responsibility rests with the trustee;

■ The indemnity provisions. This should exclude trustees from liability and legal costs if they are sued, provided they can demonstrate they were acting in good faith. Some trustees also take out individual trustee indemnity insurance to cover these costs if the employer goes bust and is unable to pick up the tab.

■ The trustee's power. It is vital to know where the balance of power lies between the trustees and the employer in decision making.

■ Power to resign. The trustee should be able to do this in writing without having to apply to the court.

■ Effect of wind-up. To avoid future conflicts between the company and scheme members it is vital to check the deed is specific about the treatment of deficits and surpluses if the scheme is wound up.

The art of good pension fund trusteeship lies in successful delegation. Providing information about the scheme to members, for example, can be delegated to employee benefits communications experts. Likewise the trustee will need to appoint lawyers, actuaries, accountants, consultants and pensions managers. The trustees meet regularly to examine and approve reports from these professional advisers and to exercise discretionary judgments where an issue cannot be delegated.

Discretionary powers play an important part in the structure of UK pension schemes. For example, the trustees can award discretionary increases to scheme pensioners or they can decide who receives the lump sum benefit when a scheme member dies and there are several beneficiaries with conflicting claims. Professional advice can be sought on these issues but the final decision rests with the trusts.

Training for trustees is provided by unions and many of the large firms of actuaries and employee benefits consultants. Courses are essential for beginners but even experienced trustees need to be kept up to date about current issues.

An important new rule is expected to come into play this month when the Department of Social Security will introduce regulations which require all trustees to read a government guide to trustee duties. Details on this new government booklet "Pension Trust Principles: the Occupational Pensions Board Guide for Pension Trustees" will be announced by the DSS shortly.

In view of the Maxwell case, trustees may wonder how far their responsibilities extend. Alex MacIntyre, national director for the Alexander Consulting Group, said: "If it is a question of covert theft, then it would be very difficult for the trustee to spot that. However, the trustee should ensure that the investment decisions are not only legal but that they are also prudent.

"If the trustee has a serious concern he or she should alert the appropriate authorities, for example Imro (Investment Managers Regulatory Organisation) or the Occupational Pensions Board. The trustee's ultimate sanction is to resign and go public with the information," MacIntyre said.

* *The Pension Trustee's Handbook, £19.99 from Hawkemere Publishing. Tel: 071-824-8257.*

MINDING YOUR OWN BUSINESS

Bloodsuckers discover a profitable market niche

Blood money: Roy Sawyer with a few of the 50,000 leeches at Biopharm

David Blackwell meets Roy Sawyer, an American with a passion for leeches who has found a home and a sympathetic business environment in south Wales

"IF THERE'S anything in the world I hate it's leeches – the filthy little devils," cries Humphrey Bogart as he lugs the *African Queen* through the swamps.

But Roy Sawyer's picture of the lowly bloodsucker is very different. Leeches are his lifetime passion and he has created a thriving and unique small business from both breeding them and putting them to use in modern medical science.

In 1984 he started Biopharm in Swansea, south Wales, with £80,000, including a £45,000 government guaranteed loan and a £10,000 loan from the City of Swansea.

While the company is reticent about profits, it has had an average annual turnover of £200,000 in the two years to March 31 1991. Most of the profit is put into research, which has soaked up £1.5m in seven years, including grants and and licensing payments.

From a breeding stock of 30 leeches, Biopharm now has 50,000, stored in rows of tanks in a specially built unit. They are fed only once every three months on blood sausages made from pig's intestines – the present site of the farm was chosen partly for its proximity to a slaughterhouse.

"I grew up with leeches and I never lost interest in them," says Sawyer, who was raised in South Carolina, in the US, where leeches are common.

He arrived at Swansea University because there was nowhere in the US where he could study the creatures. His relatives tried to divert his interest and his US professor talked disparagingly of "that 19th century biology."

Sawyer's studies led him to write the definitive three-volume work on the leech, published by Oxford University Press in 1986. "I can't imagine anyone else being so stupid as to devote so much prime time to such a subject," he grins.

But it was work on the book which convinced him that the world's 650 species of leech had a lot of pharmaceutical potential. The company was founded "to develop potential drugs which we perceive to be in the saliva of leeches and other bloodsuckers."

As he explains, the chemicals in leech saliva are pre-adapted to human physiology. The problems are how to make them useful and how to get enough to make a drug?

The sale of farmed leeches (£7 each) has surprisingly provided a sound cashflow base for the company. When it started there was a small market in the universities which was being satisfied by what Sawyer describes as very erratic and diverse sources. By giving a steady service, Biopharm has become the chief supplier.

"Our very existence created a market I never dreamt was there," says Sawyer.

Leeches are also sold to hospitals where they are used to help tissue reconnect after micro surgery to rejoin severed parts of the body. If a leech is applied to a wound for 30 minutes the wound will bleed for up to 10 hours. Keeping the blood flowing prevents infection and gangrene from setting in.

In the company's biochemical laboratories chemicals and enzymes are extracted from leech saliva and sold on to researchers in hospitals and universities.

The third source of income targeted by the company is the pharmaceutical market itself. There are possibly as many as 10 potential drugs from leech saliva, mostly anti-coagulants. A variant of the enzyme hirudin has been licensed to an Italian company for the manufacture of a drug which stops thrombosis in potential heart attack victims. Haementin, another enzyme, has been shown to be a potent dissolver of blood clots.

The company's patent bill is a source of worry to Sawyer. It has already paid out £60,000 in patent fees and is expecting the figure to reach £100,000 soon.

The cost of taking out patents was met by winning several Department of Trade and Industry Smart (Small firms Merit Award for Research and Technology) Awards worth a total of £260,000, all of which has gone into patentable products.

Meanwhile turnover has doubled every year and the company was in profit from the third year of operations. It has moved from its original premises to an atmospheric Victorian mansion on the outskirts of Swansea and has opened sales offices in the US and Europe. The UK side employs 11 people.

The business appears to be recession proof. "I keep thinking it will plateau, but there's some years of growth yet," says Sawyer.

While his wife Lorna manages the financial side of the business, he remains an active managing director. "I spend too much of my time worrying about trivial things."

One distraction has been another unexpected source of income: tourism. He says people find the leech's obnoxious and repugnant side fascinating. Last year he opened the premises on Thursday afternoons in the summer and was overwhelmed at the response.

Now he wonders if he should have designed the farm to exploit the public's curiosity. "At the beginning I should have identified the tourism side," he says. "This is such a strange business."

■ *Biopharm, 2/8 Morpha Road, Swansea, South Wales, SA1 2HT; Tel: 0792-467536*

Solving other people's problems

***David Spark** visits a company that was built with a screwdriver and a pair of pliers*

AFTER the oil price crashed in 1986, Richard Gibson was home from the Far East, kicking his heels on stand-by for his oil company. Keith Anderson, who had been a fellow student of electronics at Newcastle Polytechnic, had become a senior lecturer there.

The two got together and in 1987 set up their own company, Integrated Design Techniques, (IDT), with, says Gibson, a screwdriver and a pair of pliers. Anderson had heard of a couple of possible jobs, and the idea was that they would work on their customers' premises.

The company's first task was to design a microprocessor-controlled safety system for offshore oil. Then it got a job for Electrolux cookers.

The problem of demonstrating cookers in showrooms is that they need more than the normal 13-amp supply. Electrolux cookers' halogen rings could operate safely inside 13 amps but the oven, grill and ceramic hobs could not. IDT produced an easily-reset box which cut the power supply if anything but a halogen ring was turned on. It did this by looking at the wave-form of the current being drawn.

IDT took a workshop in the Mountjoy centre in Durham and was joined last year by Robin Jefferson, who had completed a doctorate at Newcastle University. Meanwhile, Anderson keeps up his lecturing. "I'm working about 20 hours a day," he says.

IDT made a big step forward when it persuaded two leading electronic manufacturers to authorise the use of their ready-assembled boards. These save the detailed work of assembling individual components and protect the system against interference.

The boards proved their value when IDT won a contract to design and install a system for testing lawnmowers made by Flymo at Newton Aycliffe. A factory is a harsh environment for computerised equipment. Flymo used to suffer breaks in production when dust and electrical interference caused computers to crash. The system IDT installed enabled Flymo to beat production records.

Each completed lawnmower goes into a Perspex box where test probes check it for speed of rotation and electrical characteristics. Each production line has a test box and test results are displayed instantly in the production engineer's office. He can see at once if anything is going wrong.

The results of each machine are recorded. If a Flymo is returned by a customer, the causes of its failure can be checked against the test results.

One Flymo manager said: "IDT had the confidence to tackle the job and we felt we would not be able to write the software ourselves. We have been most impressed by what they did and the support we have had from them since."

IDT has won a Department of Trade and Industry Smart award for work on technology which identifies people, animals and goods. Texas Instruments produces radio transponders in thin tubes about an inch long with an aerial at one end and an integrated circuit at the other. If one passes a reader, it gives a signal which can be identified. So a transponder incorporated in a badge can show where the wearer is on, say, a factory site. The transponders can also identify valuable goods such as beer kegs or industrial overalls.

However, readers can be confused if confronted by several transponders at the same time and IDT is seeking to overcome the problem of identifying several transponders at once.

Richard Gibson, who once designed a conference control system for a Gulf States summit meeting and worked as a diver on an Operation Raleigh expedition, says IDT's turnover in the first year (1988) was £13,000 and it has at least trebled each year since. They have paid for their £20,000 investment without borrowing.

Working for themselves, he says, "we have independent control of our own destiny and we get to see the whole picture. The Mountjoy centre is expensive but prestigious. We have a good deal of synergy with other organisations here: we have worked with High Force Research."

■ *Integrated Design Techniques Ltd, Unit 1Q, Mountjoy Research Centre, Stockton Road, Durham DH1 3SW 091-384-0058.*

When do share offers warrant a tax charge?

THE Williams offer (three for 20 plus 10 per share cash) for my Racal Electronic Ordinary states:

"a holder of Racal Elect Ord will, to the extent that he receives cash consideration, be treated as making a disposal for the purposes of UK tax on capital gains and may be liable to tax as a result".

I presume therefore that the share exchange part of the offer is not liable for CGT.

The Hanson offer (90p cash plus warrants to the value of £33.5p) for my Beazer ordinary states:

"The receipt of cash or warrants will constitute a disposal for the purposes of UK taxation of capital gains and may give rise to a gain or loss for the purposes of such taxation. Such a gain or loss would arise where the cash (together with the market value of the warrants) differ from the cost of their Beazer Ordinary and any under allowance on such cost."

Why in the Williams offer is only the cash element liable for CGT but in the Hanson offer the whole value, cash and warrants is liable?

■ Where warrants are issued on a takeover, they sometimes rank like shares for rollover and sometimes they do not. It all depends upon what else was offered at the time. An offer of simply warrants, or simply cash and warrants, will produce a deemed disposal for a consideration equal to the quarter-up market value of the warrants (or, in the second case, that market value plus the cash). On the other hand, if there is a loan-note alternative to the cash, for example, the warrants will generally be eligible for rollover like shares, because section 139 of the Capital Gains Tax Act 1979 says:

"(1) If a quoted option to subscribe for shares in a company is dealt in (on the stock exchange where it is quoted) within three months after the taking effect, with respect to the company granting the option, of any reorganisation, reduction, conversion or amalgamation to which Chapter II of Part IV above applies, or within such longer period as the Board may by notice in writing allow – (a) the option shall, for the purposes of the said Chapter II (under which a holding prior to the reorganisation or reduction of capital, conversion or amalgamation is to be treated as the same as the resulting new holding) be regarded as the shares which could be acquired by exercising the option . . ."

So far as we are aware, nobody has ever produced a convincing explanation for this arbitrary distinction. As the rule has remained unchanged since 1971, however, it clearly has the support of MPs in all parts of the House. Before asking your MP for clarification of the purpose behind this odd piece of tax law, you may like to ask your tax office for the free pamphlets CGT13 (The indexation allowance for quoted shares) and CGT14 (Capital Gains Tax: an introduction).

The House of Commons postcode is SW1A 0AA.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

THE BEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Southdown BS	SuperSaver	0273 471671	Instant	£1	10.25%	Yly
Norwich & Peterborough BS	Postmaster	0733 371371	Instant	£1,000	11.30%	Yly
Coventry BS	Instant Option	0203 252277	Instant	£40,000	11.55%	Yly
Northern Rock BS	Eclipse	091 285 7191	60 Day	£50,000	11.61%	Mly
Birmingham Midshires BS	First Class	0800 444109	90 Day	100,000	12.30%	Yly
Heart of England BS	Election Bond	0926 405488	Elec day	£5,000	12.00%	OM
Skipton BS	Triple Crown Bond	0756 700500	30.4.92	£10,000	12.60%	Yly
Lancastrian BS	High Interest Acc	061 834 5382	31.1.93	£25,000	12.50%	OM
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	13.24%	Yly
National Counties BS		0372 742211	5 Year	£3,000	13.10%	Yly
Lambeth BS		071 928 1331	5 Year	£20	12.90%	Yly
Darlington BS		0325 487171	5 Year	£1	12.90%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	10.00%	Yly
UDT	Capital Plus	0734 560 411	Instant	£1,000	9.90%	Qly
Chelsea BS	Classic Postal	0242 521391	Instant	£10,000	10.70%	Yly
				£25,000	11.20%	Yly
Northern Rock BS	Current Acc	091 285 7191	Instant	£25,000	10.57%	Mly
OFFSHORE ACCOUNTS (Gross)						
Portman Channel Islands	Channel Isls Acc	0481 822747	Instant	£500	10.20%	Yly
C & G Channel Islands Ltd	Guernsey Gold	0481 715422	Instant	100,000	11.50%	Yly
Alliance & Leicester (IOM)	Manximum 90 Day	0624 663566	90 Day	£25,000	11.00%	Yly
Yorkshire BS Guernsey	Key Extra	0481 719898	180 Day	£50,000	12.25%	Yly
Bristol & West Intl Ltd	Intl Bond II	0481 720609	30.11.92	£50,000	12.50%	OM
GUARANTEED INCOME BONDS (Net)						
General Portfolio FN		0279 462839	1 Year	£50,000	9.30%	Yly
General Portfolio FN		0279 462839	2 Year	£50,000	9.10%	Yly
Prosperity Life FN		0622 690556	3 Year	£25,000	9.20%	Yly
General Portfolio FN		0279 462839	4 Year	£50,000	9.00%	Yly
Providence Capitol FN		0256 768888	5 Year	£25,000	9.35%	Yly
NAT SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	9.50%	Yly
	Income Bonds		3 Month	£2,000	10.25%	Mly
	Capital Bonds C		5 Year	£100	11.50%	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
	36th Issue		5 Year	£25	8.50%F	OM
	5th Index Linked		5 Year	£25	4.50% +Infln	OM
	Childrens Bond F		5 Year	£25	11.84%	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross

Fixed= Fixed Rate (All other rates are variable) OM= Interest paid on maturity. N= Net Rate. B= Bond.

Source: Moneyfacts, The Monthly Guide to Investment and Mortgage Rates, Walsham House, Stalham, Norwich.

Drive a cheaper car

I AM a project manager in the civil engineering industry and I am in correspondence with the Inland Revenue concerning the use of my own car on company business. I bought my car for £16,000 two years ago and during that time I have used it on company business. I understand that in the first year in which the car is used for business purposes the writing down allowance is 25 per cent of the cost/open market value of the car. In subsequent years the writing down allowance was 25 per cent of the qualifying expenditure, – ie the cost of the car less the writing down allowance. Accordingly, I claimed £4,000 for the first year, £3,000 for the second year. The Revenue has said the maximum permissible writing down allowance is £2,000 per annum. Is the Revenue correct or if I should appeal?

■ For an "expensive motor car", namely a car costing more than £8,000, the annual writing-down allowance is indeed restricted to £2,000 by section 34 of the Capital Allowances Act 1990 (reenacting the existing legislation as amended up to 1985). Ask your tax office for the free pamphlet IR106 (Capital allowances for vehicles and machinery).

The maintenance of the £8,000 ceiling is probably a fair indication that the majority of MPs consider that car prices in the UK are too high.

HOW TO SPEND IT

Recession is biting, customers are counting their pennies, and retailers in every capital are slashing prices. Wherever one looks . . .

The whole world's up for sale!

The old streetwise New Yorker's motto – never, ever pay full retail price – has gone global. From Tokyo to Frankfurt, from Paris to London and New York, you can buy almost anything you fancy as well as lots of things you never knew you needed at knockdown prices. FT journalists give the low-down on what is cheapest, and where . . .

PHOTOGRAPHS: TONY ANDREWS

LONDON

I DO NOT need to tell Londoners that the sales are on. If it is January, it must be sale-time. And it is. A time-honoured ritual that no store, least of all after this most disastrous of all shopping seasons, can afford to ignore. But this time the sales seem different.

It is not that there are not bargains – there are, and good ones – but rather that the population at large seems curiously and most untypically unexcited by them. What this does mean is that ardent searcher for a specific item – whether it be a designer jacket, a new sofa or a snazzy pair of shoes – can venture forth in the happy knowledge that they will not have to don combat gear and scowls. Two arms can be used to search through the racks, time can be taken to weigh up the sizes and colours, assistants may even offer to help. Add to that the huge reductions and sales shopping could actually turn out to be enjoyable.

The biggest reductions of all are at the more expensive end of the spectrum. Ever fancied a really grand designer number but not felt able to justify the price? Well, how about a Valentino wool suit reduced from £1,400 to £600? Or an evening dress in silk with a matching jacket (also from Valentino) for £1,300 reduced from £3,250? If that is more than you can manage then you could get a blouse for around £150.

At Chanel there is a 30 per cent reduction across the board on all their clothes which means that you can buy a classic Chanel suit for just under £1,000. All those prices may seem a lot of money, but if you had been eyeing the Chanel suit all season and found £1,800 beyond your reach, £1,000 might just make it affordable.

This is perhaps the time to apply the old fashion editors' maxim – the real cost of a garment is the price divided by the numbers of time it is worn, not the price alone. On that basis the most expensive jacket I have ever bought is also much, much the cheapest – and even that fails to take into account that on every occasion it also looked much better than its cheaper versions.

For several seasons now the jacket has been the mainstay of many a fashionable wardrobe. It teams with leggings, with ski pants, with short skirts, slips over dresses.

In Paris this week the sassiest of dressers all had similar silhouettes – short skirts or tapered legs (leggings or ski-pants) topped by parkas or jackets (either curvy or straight and long leaving just about an inch of skirt showing). These sales offer a first-class chance to buy a marvellous jacket at a third and possibly 50 per cent less than it cost before Christmas. At Browns (23-27 and 38-39 South Molton Street W1 and 6c Sloane Street SW1) you could put the whole look together at sales prices – start with Gigli leggings (reduced by 30 per cent to £100) and add G Gigli (the diffusion line) parkas reduced from £395 to £295. When it comes to jackets Jil Sander, Donna Karan and Moschino are all on sale at 30 per cent to 40 per cent less.

Other good places to get a classy designer look together are Harvey Nichols, Joseph (who has cuts of 40 per cent), Armani and Yves St. Laurent.

Those whose feet do not feel fashionably clad also have a perfect chance to put that right. At Pied a Terre this winter's ankle boots can be had for about £50 (reduced from £100) while Armani has brown patent pumps for £50 and Yves St Laurent has *high-heeled* numbers, also for £50.

Lucia van der Post

PARIS

L*A FRANCE MOROSE* said the headline in *Le Figaro* last week. *"Remises Exceptionelles"* said the posters: or *"Liquidations de nos collections"*, while at poor Louis Beaucaire, a menswear shop in the rue St. Honoré, it was *"Destockage definitif avant depart – Moins 50% - 60% – et ADIEU."* If La France is morose, it would appear to have good reason.

Some of the most esteemed names in the world of luxury goods (companies of the stature of Morabito, Puiforcat, Chaumet, Karl Lagerfeld and others) think things are so bad that they clubbed together to take a full page advertisement in *Le Figaro* to make a rallying call to patriotic Frenchmen and women: *"Ne laissons pas la morosité tuer le désir et l'absence de désir tuer l'economie"*.

The by-product of all this is that this season's sales seem different in mood. Almost everybody seems to sense – or fear – that what we are witnessing is not just a clearing of the way for another bright new season of happy shopping, but

> *Paris for the next couple of weeks is a shopper's paradise*

one of those profound shifts in public attitudes that are hard to anticipate and even harder to handle.

Paris, like most of the big cities of the world, is over-supplied with shops and under-supplied with shoppers. The Western world spent much of the 1980s shopping until its houses were crammed, its wardrobes full and its cheque-books depleted. Now it seems to have taken stock and looks back on it all as a kind of collective madness.

As my neighbour at lunch in the Bar des Theatre on the Avenue Montaigne in the heart of chic Paris put it as she patted her modest haul – two towels at FFr65 (£6.60) a piece – from the Christian Dior sale: "It was like an illness, like bulimia; it had to stop and it has. All at once people have come to their senses." The problem is that the coming to their senses leaves the economic world in turmoil. If we do not shop, others do not eat.

But certainly what is true is that anybody who still has a taste for *le shopping* or a few real needs or desires will find that Paris for the next couple of weeks is something of a shoppers' paradise.

The *only real problem is* where to start. Whether you are a man or woman you will find that bargains are everywhere and those who normally prefer the Right Bank might as well start there and the Rive Gauche crowd head for the Left Bank. Discounts and sales are everywhere.

Those who long for designer clothes but normally cannot afford them can take their choice from almost any designer they fancy. At Nina Ricci you could snuggle into a shimmering brocade jacket reduced from FFr7,500 to FFr3,750 or buy a striped satin fuchsia evening dress for FFr11,550, reduced from FFr19,250. As I dropped in there seemed no takers, even with these reductions.

At Chloe and Montana, at Balmain and Lanvin, at all the grand names, the sales are on and you could, pick up a wonderful designer outfit at half the usual price. As always, the richer you are, the better value you can get. A Chloe coat at about £500 (reduced from around £1,000) will be something to treasure for years to come and a soft wool Boss suit reduced from FFr5,500 to FFr3,690 would do no end of good to a young chap's corporate image.

At Chanel's headquarters in the rue Cambon the shop is packed with Japanese already laden with bags from Hermés, Gucci and Louis Vuitton. *Chanel's famous two-tone* pumps are down from £200 to £130, jewelled evening pumps from £300 to £200 and those finely-pleated cream silk blouses, drooled over at £800, do not seem a lot more affordable at £400.

From the outside, Dior in the Avenue Montaigne looks its usual august self. Once inside and you could almost be in Oxford Street on the Saturday before Christmas. Heads down, elbows flying, you would think these people had never seen a scarf or a silk blouse before. If you had the stamina and the time you could come away with something – a towel or a glass, a jacket or a skirt – at a bargain price. It was here that I saw the one thing I really wanted but did not feel justified in buying: a wonderful ruffled black silk organza evening jacket reduced from about £800 to £400 that would have looked stunning for years.

Trawling the individual couture houses and designer boutiques is an arduous business. If you have limited time you would probably do better to head for Galeries Lafayette, where everything in sight seemed to be *En Soldes*. On its designer floor everybody from Georges Rech and Yves St. Laurent, from Commes des Garcons, Yohji Yamamoto, Agnes B and Sonia Rykiel was marked down by at least a third.

Alternatively, you could do what I did and regain a little sanity by *going to my favourite* store, the No. 2 building of La Samaritaine, by the Pont Neuf. Here, in a wonderful Art Nouveau interior, is a resolutely old-fashioned department store where there are no sharp elbows and tough expressions, just comfortable Parisian housewives from the unfashionable arrondissements buying things they really need.

There are lovely things, such as the plain white linen union sheets from the Vosges used by the grand hotels (FFr269 for singles, FFr369 double, reduced by 20 per cent), plain white pure cotton fabric at FFr60 a metre, and fast-disappearing things like ribbons and mending yarn. Who needs sales when there is La Samaritaine?

L v d P

NEW YORK

SALES IN New York are a bit like swimming pools in Hollywood: the depth varies, but everyone has to have them.

However, whereas once they were *seasonal*, now they are more or less permanent. A glut of shops and too few customers mean *that* there are significant discounts all year round and the traditional "holiday" offers look like continuing all through January.

So where should shoppers start? Well, there are certain products that it is always worth searching out in Manhattan.

Womens' shoes, for instance, are a perennial winner, combining imaginative – often Continental – design with more affordable New York prices. Add on the holiday discounts, and temptation is hard to resist. Time-pressed visitors could start at the New York branch of Charles Jourdan.

> *Saks Fifth Avenue tends to come into its own during the sales*

Here, plentiful sale items are as tasteful as the marbled Trump Tower environs are brash. Leather court shoes sell for $99 (£54.30) compared with an original price of $225; black suede evening shoes have been slashed from $285 to $169.

Men's shirts are another favourite. Brooks Brothers, now owned by Marks & Spencer, has average reductions of between 25 and 35 per cent, *which means standard lines* are around $50. But walk a few doors north and you will find the Paul Stuart store – the carpet is thicker, the service more gracious, and the discounts posted more discreetly. Prices, however, are broadly similar.

Among the department stores, Saks Fifth Avenue – not the most useful shop in normal times – tends to come into its own during sales. Discounts in the menswear department average around 25 per cent – cutting $20 off a $76 Armani tie, say, or pricing cashmere socks at around $15. Up on the womenswear designer floors, the reductions are less predictable but often more generous. A well-cut pair of Anna Klein evening trousers, for example, is almost halved to $120.

True discount-hunters, of course, should concentrate their energies on the depressingly large number of stores which are in the process of closing. Once wholesale stock clearance is under way, prices can really crash. Take Saint Gill, a Madison Avenue boutique, *for example: beaded* evening jackets, in glorious technicolour, now sell for under $300 having once been priced at over $1,000.

On a non-fashion note, Manhattan is often a good source of household linens – from table-clothes to towels. Ethnically-minded shoppers might try their luck at Handblock, which has stores on both the Upper East and Upper West Sides and offers good discounts on upmarket Indian printed cottons.

Hi-fi enthusiasts should simply load up. Compact discs in the US usually sell at the dollar equivalent of their sterling price, and big retail outlets, such as Tower Records on Broadway, are currently offering "special deals" on selected items as well. Anything from $10.99 to $14.99 is standard.

Those not sure of what they want but hoping the perfect purchase will present itself at the perfect price should target a specific shopping area. A stroll up Madison Avenue from the mid-forties to the seventies, with occasional forays into Fifth or Lexington Avenues, is the most obvious.

A similar path can be plotted on the Upper West Side, along Columbus Avenue. A third option is to head for SoHo, the downtown area bordered by Houston and Canal Street. Here, designer boutiques and more conventional clothing chains are liberally interspersed between the declining *number of art galleries*.

Finally, it is worth remembering that marked prices often exclude sales tax, currently 8¼ per cent in New York. When you reach the cash register, this belated realisation may take the edge off the shopper's satisfaction. But chances are, you have a bargain anyway.

Nikki Tait

FRANKFURT

GERMANY rose late from the festive table last weekend, downed an Underberg and an aspirin, and went shopping. Heads down, elbows out, the population took to the streets in a full dress rehearsal for the struggle to come.

This is special offer time, a phoney war interlude, when shoppers and sales assistants perfect their techniques – close-range combat and scowling, and middle-distance gazing and scowling respectively – to be ready for the sales proper, which start officially on January 27.

Shopping in Germany is a testing exercise at the best of times. But in the special offer season protective boots are *de rigueur* and small children who cannot be left somewhere safe, like the middle of the autobahn, should be well padded.

An uncommonly mild weekend in a so-far gentle winter brought out the crowds and the bargains. On Monday retailers claimed that shoppers had come back to town after the holiday break – pockets stuffed with cash Christmas presents – still spending at pre-Christmas levels.

Bargain-hunters did well in winter clothing departments, where surplus woollies are marked down by 30 to 50 per cent. Caught out by the climate, the stores' buyers had started the new year overstocked by as much as 20 per cent, according to some estimates. Left-over women's party wear, heavily reinforced with spangles, metal thread and still-obligatory shoulder pads, offered no competition.

Buyers in the pots and pans departments also appeared to have overdone things. Six-piece sets of stainless steel cookware, on sale at alleged discounts of up to £100, were among the most common offerings.

Since the "formerly X, now Y" sale-time pricing formula is not common in Germany, identification of real cuts is tricky, but well-made leather jackets and wool-mix overcoats at about £100 apiece would be tempting – if the outside day-time temperature in large tracts of the country were not around 14°C.

Unquestionable best value for money: anything to do with Mozart, and baggy men's suits with "living room" trousers.

Wolfgang Amadeus, dead now 201 years and out of the commemoration stakes for the time being, has left a legacy of special edition and repackaged recordings, books, and pot and plaster busts littering the shelves of many shops. Even surplus Mozart *Kügeln*, the enduringly popular chocolate balls, could be had for a few pence each from sweet departments clearing the leftovers from the Christmas and New Year eating binge.

The roomy, *relaxez-vous* suit, never at its best on tightly-tuned German male bodies, was formally declared dead just before Christmas by the national textiles federation, which announced the return of the tailored look. Whether it was making a fashion statement or cutting its cloth more economically in the light of forecasts of an economic slow-down this year was unclear, but for those willing to go against the trend, handsome outfits are already available for as little as £100 to £150 a time.

At this stage shoppers are still being tempted mainly by chain stores offering own-label clothing, old-hat multi-coloured bedlinen, unidentifiable frying objects and bottom-of-the range branded kitchen-appliances.

Come January 27, appetites should be nicely sharpened and muscles toned for the great struggle when all the shops join in and the real goodies, big-name brands and designer clothing beloved of Germans, come up for grabs.

Christopher Parkes

TOKYO

"IT IS 15 minutes to opening, please don't push!" shouts a sales clerk at the crowd in front of the store. The long queue reminds one of Muscovites waiting to buy bread, but this is prosperous Tokyo, and it is the first business day of the year for Isetan, a prestigious Japanese department store.

New year sales are the shopping event of the year for Japanese. People tired of over-eating festive foods, fathers cooped up with restless children, and families having finished their visits to the local shrine all gather in the new year ritual of bargain hunting.

A pair of old ladies, with matching curls, were bundled up against the cold in their overcoats and scarfs at the head of the line. They had been waiting two hours for the 10:0 am opening. "It's worth it," said one, obviously expecting to save lots of money by spending even more.

The store is opened the traditional way – a young woman opens the doors and gives the crowd a deep and polite bow. The customers bow back, but the minute she steps aside to allow them in, politeness is left behind and elbows fly in a mad rush towards the escalators and the bargains.

Most customers head first for the rows of *fuku-bukuro*, literally "lucky bags", which

> *For the Japanese shopper, the sales require a change of tactics*

are an important part of new year sales in Japan. They are stuffed with knick knacks and other goods which, in Isetan's case, are said to be worth around eight times the cost, normally Y5,000 (£21.30) or Y10,000. *Shoppers are happy to* buy without knowing the exact contents of the bag, for everybody is supposed to be "lucky" and find at least one cherished item.

In the late 1980s when the stock market was booming the contents of lucky bags boomed, too. Department stores competed to sell glamorous lucky bags containing such items as French impressionist paintings and jewellery, and selling for Y100m (£427,300) and more. These days most retailers stuff their lucky bags with goods that have not sold well during the year.

Even so, there are many faithful customers. "It's really a good deal," says Akiyo Kitagami, lining up for his *fuku-bukuro* at Isetan. "Last year we got a silk scarf, a sweater, and this watch, all for Y10,000," he says flashing a gold-coloured watch.

In contrast to the frenzy in the general sales departments, the boutiques in a separate corner of the store were calm. They do not bother with lucky bags at Yohji Yamamoto, the Japanese clothes designer, or at Chanel, or Versace. Some designer brands have bargain sales later in the year, some none at all, jealously guarding their high class image among image-conscious shoppers.

But other clothing stores take the opportunity to sell heavy duty winter clothing ahead of the spring season, and during the first weeks of January most stores carry 30 to 40 per cent discounts.

For the methodical Japanese shopper, who usually spends hours in a single department store combing through every floor, the new year sales require a change of tactics. Those who have enough energy left rush off to other retailers, while others head for home. A woman and her son walking to the train station carried 12 bags between them: they were not untypical.

Emiko Terazono

FOOD & WINE

Champagne country: Montagne de Reims, Villers-Marmery and vineyards

Has Champagne's bubble burst?

***Edmund Penning-Rowsell** asks if best bubbly is unreasonably expensive*

YES, CHAMPAGNE is expensive: a luxury product for a special occasion, it always has been. But is it, as widely thought, excessively dear in the UK?

Several factors have contributed to this belief. Firstly, the rise in the price of champagne grapes. Secondly, the sharp decline in trade in the second half of 1990 following the Gulf War. (The restaurant trade, normally accounting for 60 per cent of UK sales, was badly hit.) Thirdly, after price rises at the beginning of last year media speculation suggested that non-vintage brands of the *Grandes Marques* might rise to £20 a bottle. This increased the apprehensions of those accustomed to buying £11 or £12 champagnes from supermarkets. These are made from lower quality grapes and partly at least from second and third pressings.

Obviously, no industry can ignore price increases in the cost of its raw materials: more than 13 per cent in 1989 and a further 20 per cent in 1990. However, as champagne is a blended wine, with, desirably, an age of three years in bottle before being marketed, the cost of the 1.3 kilos needed per bottle can be evened out. Also, the big producers of Buyers' Own Brand champagne that can legally be sold after one year in bottle will save interest charges on stock of at least 10 per cent a year.

The UK wine trade has to take account of increases in duty and VAT in the last Budget, so that together they now total £1.75 a bottle. Yet, apart from such leading houses as Bollinger and Roederer, whose non-vintage cuvées were already touching £20 a bottle by autumn 1990, the majority of *Grandes Marques* are still well below this figure: Möet & Chandon N.V. Brut Imperial, representing 20 per cent of UK sales, sells for £17.95: about 25 per cent higher than in 1989, taking duty rises and VAT increases into consideration.

Looking on the positive side, the age and therefore the quality of champagne should now be higher, for stocks have risen. Moreover, the Champenois realise that increasing world competition from sparkling wines means that they can only keep ahead by improving quality, and for the last two years a campaign has been running to improve pressing and fermentation methods.

Nevertheless, with 1991 sales estimated at 200m bottles against an unexpected large vintage of 276m, both growers and merchants have a problem that could increase, rather than diminish, in recession. Last year the officially recommended FFr2 reduction in price to FFr30 a kilo was willingly paid by the merchants, who after the failure in 1990 to renew the official contract system of distribution, had to keep faith with the growers with whom they had made personal three-year contracts to buy their grapes.

Although the co-operatives, particularly those who had been energetically promoting their own brands, including Jacquart and Nicolas Feuillate, have suffered severely from the slowdown in sales, the growers have not yet felt the need to sell more of their grapes to the merchants. The 47 per cent of the 1991 harvest that the growers' sold was identical with the proportion sold in 1989 – the last year of the contract system.

Yet, neither the merchants nor the co-operatives can go on buying growers' grapes on the same scale. Those who make or market champagne under their own labels are likely to face greater difficulties in continuing to sell almost half the champagne bought in France. Stocks at the end of the 1990/1991 campaign last year amounted to 795m bottles – four years' sales stock – compared with 2.9 years' sales stock in 1989/1990.It is now almost certainly above four years.

Are grape prices likely to go down for this year's vintage? Those merchants whom I asked this question had varying replies. Some, on the basis of this being the last year of the three-year personal contracts, said no. Others thought that the recommended price might fall by 10 per cent to FFr27 a kilo for the top village wines and to FFr24 for those on the basic 80 per cent level. One or two envisaged a franc less. Generally, it was agreed that much would depend on the size of this year's crop and the state of the world economy.

A small crop is already being prayed for. Continued recession could bring grape prices down to FFr20.

Will there be a new contract between growers and merchants that is more flexible – perhaps omitting the basing of price on the average ex-cellars cost of bottles in the previous year? The merchants are against a new officially sponsored contract for the present arrangements suit them very well: particularly the big groups which can count on adequate credit. They can argue that Brussels would be against any officially fixed price, as a restraint of trade.

However the growers form a powerful lobby, some are already nervous about the future and, if trade continues poor, they might well demand some guarantee for the disposal of their grapes. No one wants to return to the inter-war years when growers had to accept miserably low prices for their fragile produce.

Occasional consumers of champagne may be assured of no price increase of any note this year. Indeed, there may be some decreases if the vintage is large and the market still severely depressed. At the lower end some substantial deals at ex-cellars prices, around FFr50 a bottle, took place before the end of last year. And, as they have inflation in France too, unchanged prices mean a real reduction.Although imports here are down by 40 per cent the fall in consumption is less than half that amount.

Cookery

Puddings for Sunday lunch

Philippa Davenport

IF NOVEMBER and December are the months of the dinner party, January and February are favourites for Sunday lunch invitations. This is the season for a more relaxed and informal style of entertaining. An easy mix of age groups comes into play – great aunts and god-children are welcome – and the seating plan need not strive to partner every man with a mate, as though going into the Ark two by two.

With no frantic appointments to keep, Sunday lunch is a deadline-free zone. Lazing by the fire, wallowing in the newspapers, these are the sort of unhurried pursuits to put on the agenda.

There is no call for the cook to indulge in any first course fuss. Time-honoured tradition demands that we stick to a simple menu of roast meat, cheese, and – what bliss – a proper pudding.

Diehard pudding fanciers will argue that only puddings in the heavyweight class are good enough for Sunday lunch. Spotted Dick, Treacle Sponge or Sussex Pond Pudding are the answers for them.

Others may feel the temperature is a mite too mild, and the timing a bit too soon after the Christmas pud, to do proper justice to such solid offerings. For them I suggest a steamed chocolate pudding confected with eggs and almonds but no flour, designed to satisfy greed without lying heavy on the stomach.

Those who relish the clean sharp taste of fresh fruit will opt for a pie made with the first – and pinkest and best – rhubarb of the year.

STEAMED CHOCOLATE PUDDING
(serves 4-6)

¼ lb best bitter chocolate; ¼ lb butter; ¼ lb caster sugar, preferably vanilla sugar; 1 oz best cocoa powder, sifted and mixed with 3 oz freshly ground almonds; 6 large eggs.

Cream the butter in a warmed mixing bowl. Add the sugar and beat again until fluffy and light. Add the cocoa mixture and the egg yolks, in alternate spoonfuls, and continue beating until smooth and creamy. Whisk the egg whites. Slacken the chocolate mixture with one-third of them, then fold in the rest.

Turn the mixture into a buttered 3 pt pudding basin, cover with buttered greaseproof paper and foil. Tie down and steam for 70 minutes, by the end of which time the pudding should be puffed up and set with a just-molten streak in the centre. Unmould onto a hot plate and serve straight away with brandy-flavoured cream.

FORCED RHUBARB PIE
(serves 6)

scant 1¾ lb forced rhubarb (trimmed weight); ¼ lb caster sugar; the finely grated zest of a large orange; 1 teaspoon ground cinnamon; 1 tablespoon cornflour; phyllo pastry;

melted butter; a sifting of icing sugar.

Mix the sugar with the orange zest, cinnamon and cornflour. Cut the rhubarb stalks obliquely into 1½ inch lengths.

Put the fruit into a shallow baking dish of 9½-10 inches in diameter (earthenware, porcelain or ovenproof glass is suitable) sprinkling the sugary mixture between layers.

Cover with eight layers of phyllo pastry, cutting the sheets to size, brushing each layer with melted butter and tucking in the ends neatly before adding the next.

Score the top sharply with a diamond pattern. Add a shake of cold water to stop the pastry curling and cook on a baking sheet at 400°F (200°C) gas mark 6 for 35 minutes until the quilted pastry lid is crisp and brown.

Let the pie cool for 5-10 minutes before dredging it with a snowy drift of icing sugar. Then serve with *crème fraîche* or custard.

PERSPECTIVES

Why early adopters are going digital

EVER SINCE our toddler destroyed the record turntable three years ago, I have been agonising over the best replacement. So this week's news that W H Smith is to stop selling vinyl records came as a relief. I can scratch turntables from my list and concentrate on the alternatives.

The delay in making up my mind is understandable. The electronics industry long ago identified a small but influential socio-economic group that will always buy the newest home-entertainment gadget.

They call them "early-adopters" and these people (usually men) will pay a considerable premium for the pleasure of being the first to own state-of-the-art technology.

I am an eager early-adopter, but in spirit only. Considerable meanness leads me to read about the gadgets in specialist magazines (*gratis* standing up in W H Smith) and then pester early-adopting friends and neighbours to view their patio-sized Nicam digital televisions and listen to hi-fi systems that look like the control room from *Thunderbirds*.

Late-adopters might indeed covet such technology, but what really interests us is to identify the right time to buy a new gadget.

We want to tender our Visa cards in the smug knowledge that we are maximising our buying power (electronic hardware always gets cheaper as the technology ages) and minimising the chance of buying into a dying format.

Now that long-players and turntables are as fashionable as the Gorbachevs – even compact discs (CD) have lost their new shine – the early-adopters are looking at digital tape systems.

CDs might have many benefits. The sound, for example, is crisp and you can skip ghastly tracks at the touch of a button. The discs might not be tough enough to double as drinks coasters but unlike tapes and vinyl they are reasonably resistant to physical abuse.

But an ordinary CD player cannot record, which is a great let-down to the majority of us who like to copy our friends' music collections. Digital tape systems, however, can both record and reproduce CD-quality sound.

A format called digital audio tape (DAT) appeared in the 1980s, but it never took off. Now Philips and Matsushita are offering digital compact cassette (DCC), which is a digital version of the current music tape cassettes.

DCC players (in the UK by the autumn at about £300) will also play old-style cassettes but will not record on them.

The future success of DCC is almost entirely dependent on the music business producing popular recordings on the format. Controlling the availability of software (the music) for a new hardware (the player) used to be up to that other fashionable 1980s phenomenon: market forces.

But things have changed quite considerably since hardware makers started taking control of the software industry.

Philips, for example, owns Polygram and Sony bought CBS Records, now Sony Music. Both companies are using their software to promote new hardware.

One such development is a technology that not only gives digital sound but digital pictures, too. This is CD-I, a system that plugs into the television and the hi-fi.

The pictures will also respond to our instructions, or be what the industry calls interactive (hence the "I").

Stick in a disc and you can flip through an encyclopaedia where the dinosaur actually walks across the screen. Children can colour-in Disney-type pictures on screen and adults can learn how to play golf.

Welcome, ladies, gentlemen, and especially children, to the wonderful world of "edutainment" – marketing and toddler-talk for the combination of education and entertainment.

CD-I is yet to be formally launched in Britain (available from the autumn), but early-adopters can buy from some golf shops a Philips player and three discs (interactive golf, music and colour-in nursery rhymes) in a £895 set actually called the "early-adopters' package".

It is not clear whether there will be sufficient pre-recorded discs exciting enough to persuade people to spend around £700 on a player. But the mere existence of CD-I certainly increases the procrastinatory agony for late-adopters.

The demise of vinyl might reduce the fog, but the exact technological future of home entertainment remains rather blurred. However, it does seem probable that CD-based technology will be around for some time and manufacturers will only make zippier versions of CD players.

You might not be able to record on to CD, but for me the medium wins over digital tape because it is marginally more toddler-proof. Late-adopters are by nature family-oriented long-term thinkers. As a result, I am already worried about my grandchildren mucking about with my home edutainment.

Peter Knight

Docklands: a cut-price ghost town?

■ Continued from Page I

shire. Another was Michael Slade, the high-spirited boss of Helical Bar, who became the second highest-paid man in Britain when he made £1.1m in 1987 on the back of a land sale.

It was not to last. Gradually, interest rates rose, demand fell and the letting boards piled up, particularly in the City and Docklands.

The developers shrugged their shoulders – and were supported by the experts. "The UK non-residential property industry is in better financial shape than at any time since the 1960s . . ." said an economist from Barclays Bank in August 1989.

By autumn 1989, deals had slowed to a trickle. In September, a firm of chartered surveyors voiced the unthinkable by forecasting falling City rents. Property share prices tumbled.

The first clear warning of the impending crash came in February 1990 when Godfrey Bradman sent tremors through the stock market by asking shareholders for £125m to shore up Rosehaugh's balance sheet.

But many developers felt that Rosehaugh had no general lessons for the industry, arguing that the fault could be laid at Bradman's own door for his over-ambitious expansion. The tensions that had been building between Bradman and his partner Stuart Lipton rose to a point where the two would hardly talk to each other.

Confusion mounted when O&Y, the reputed masters of counter-cyclical investment, bought an 8 per cent stake in Rosehaugh. Paul Reichmann, who had already bought a third of Stuart Lipton's company, Stanhope, was signalling a striking vote of confidence in London.

And then the music stopped completely. Saddam Hussein invaded Kuwait and business confidence, already fragile, evaporated. Potential tenants and buyers melted away.

The collapse of the market revealed the flimsiness of the emergent property companies. The new breed of "merchant developers" depended on sales to pay their interest bills. The sophisticated financing used by the young investment companies assumed ever-rising rents.

One by one the mercurial entrepreneurs of the 1980s saw their companies go under. They included Iain Shearer, a former airline pilot; Berish Berger, the scion of one of the UK's largest property-owning families; and Irvine Sellar, an exuberant dealer who had been known as the "King of Carnaby Street" in his former career in the rag trade.

Others struggled to keep their heads above water. Trevor Osborne's Speyhawk announced that it was unable to pay even its preference dividends – a predicament made worse by the knowledge that it had been just 16 hours from clinching the sale of his Speyhawk business the previous summer.

Days after Saddam Hussein's invasion, Nordstjernan, the Swedish bidders pulled out, citing "the uncertain world political and economic climate."

Stuart Lipton's Stanhope and Godfrey Bradman's Rosehaugh announced annual losses of £77m and £227m respectively; and Godfrey Bradman stepped down from chairman to vice-chairman as the company fought for survival.

Merger talks between them became bogged down, partly because of the animosity between the two men. O&Y lost more than £100m on its investment in the two companies, adding to the other problems that emerged throughout its financial empire.

As the downturn deepened, the mood of the property industry turned to despair and anger. The developers blamed themselves and the banks; most of all, they blamed the government. The politicians they once lauded were seen as short-sighted and ignorant for having set off a gold rush they could *not* control.

The length and scale of this downturn is unprecedented. Even the property crash of the early 1970s, with which it shares many similarities, did not produce so much empty space. The property companies and their banks are in unchartered territory, grappling with awesome, unanswered questions.

Will the empty buildings find tenants? Or will the worst-hit areas, such as the City of London, where nearly one in five buildings is empty, remain glutted for the rest of the century?

Will this oversupply and the flagging economy force rents to continue to plummet? If so, it will further undermine the value of commercial property across Britain, which has already lost some £70bn, more than a quarter of its value.

Will the banks continue to support the UK property industry? Only a handful of impatient lenders could bring down scores of over-borrowed companies and flood the market with property.

And what of Docklands, the embodiment of *laissez-faire* policies, with its millions of square feet of empty offices, served by an erratic Toy Town railway? Possibly, it will succeed in becoming London's third business centre, so breaking the stranglehold of the established landlords and forever ridding London of the vested interests that made it the most expensive capital in Europe.

But it is also possible that its disastrous launch has tarnished its reputation for good. Far from being a prestigious rival to central London, Docklands may evolve as a cut-price location for clerks and computer facilities, more akin to Croydon than the City.

The sheer number of empty buildings could well mean that some will not attract tenants at any price. For years to come, Docklands may remain a half-empty ghost town – a monument to the hubristic 1980s.

As They Say in Europe/ **James Morgan**

This is the season of morosité

LAST week it was the *Angst*-ridden German press, this week the *morose* French. *Morosité* is the favourite word in French newspapers these days. *Le Figaro* wrote about it last Monday: "The President [Mitterrand] beats all unpopularity records . . . 62 per cent have no confidence in him. Without doubt the economic crisis, whose causes are not solely French, can in part explain the general *morosité*. But it does not excuse the government's impotence with regard to growing unemployment."

The same day *Liberation* looked forward to elections in 1993 and the settling of accounts with "the long republican reign: the artifices, the compromises, the postures – they are all worn out. There remains only brutal urgency."

As I read these words a handout from the French National Statistical Institute landed on my desk. It noted that growth had been at 1.5 per cent last year, exports were up and inflation was 3 per cent. If that was the situation in Britain, John Major would be certain to win the coming election.

In *Les Echos* of Paris, Patrick de Jacquelot examined the roots of British *morosité* and thought things could get worse: "The prospect of a Labour victory could encourage the markets to get out of sterling in coming months. It is therefore very possible that the pound will enter a vicious circle: a sharp fall in the currency will force the government to raise interest rates." That would "cast a further shadow over the government's record which will increase the chances of a Labour victory and would weaken sterling still further."

So, one infers, Labour should promise something profligate to force the government to raise interest rates.

If you wanted to be really morose, you could have celebrated Christmas last week in Russia. The papers made the armed forces their Yuletide theme. The army daily, *Krasnaya Zvezda*, warned: "Men with epaulettes are not pawns in political games . . . The armed forces are the last institution remaining from our former state which is capable of stabilising society." But it concluded that now was not the time to send in the tanks. The paper, like all Moscow dailies wished its readers a Merry Christmas. The last time that happened must have been January 1917.

There are islands of good cheer, however. *Corriere della Sera* of Milan found one. "Lombards – the rich men of Europe," ran a headline. According to an EC study Lombardy is the richest region in the Community. The *Corriere* is really the Lombard Daily News. It said this success had been gained not so much by rich dynasties (a swipe at the Agnelli-Fiat fiefdom of Piedmont) but by an "army of workers. The miracle has been created by the silk workers of Como, the hosiers of Castelgoffredo . . . all led by the financiers, the bankers and mega-managers in their Lombard headquarters."

■ ■ ■

Another cheerful individual is Johann Georg Reissmüller of the *Frankfurter Allgemeine Zeitung*. He has made his mark as a sort of unofficial Croatian government spokesman, in addition to his duties as chief fulminator in Germany's leading daily. On Monday he wrote: "Up to now the Serbian government thought it pointless to keep to any ceasefire. But now the Belgrade leadership sees that Europe's timidity over Serbia is diminishing. They think that the recognition of Croatia and Slovenia might be followed by further steps. So it might be advisable to stick to a ceasefire. Had the EC-states offered recognition earlier, the Croatian people would probably have been spared many horrors."

There is a hostage to fortune, but I hope he is right.

■ ■ ■

One hundred years ago next Tuesday, Albert Victor, Duke of Clarence and eldest son of the Prince of Wales, died. It was a few days after his 28th birthday and six weeks before his marriage to Princess Mary of Teck who comforted herself with his younger brother George and later became Queen of England. The *Illustrated London News* at the time argued that deaths of privileged people could be in the public interest. "It is well that the sense of mortality . . . should occasionally temper the less wholesome moral influences arising from vast differences in worldly station, from birth and rank, from wealth and luxury, or from the fame of distinguished achievements. Humanity is more easily reconciled to these apparent inequalities of position, and is delivered . . . from the evil spirits of envy and scorn by witnessing impressive instances of the sudden end of a highly favoured life."

That brings us back to *morosité*: perhaps there could be an improvement in the public mood if more celebrities took the plunge . . . as it were.

■ *James Morgan is economics correspondent of the BBC World Service.*

TRAVEL

Sensual delights in a palace of illusions

***Susan Moore** enjoys a night-time stroll amid the fountains and flowers of Cordoba's magical Moorish mosque*

CORDOBA'S Moorish mosque is a wonder of the world – especially wondrous in its deceit. It is the original Tardis, though its delapidated exterior passes for a warehouse rather than police box.

Outside, in the sunshine, parties of school-children shriek like starlings. But take one step into the chill and gloomy silence and you encounter the edge of a forest of towering stone trees, from which spring branches of double arches banded pink and white. Everywhere you turn there are endless undulations of pink and white.

Its grove of purloined columns are Roman, Visigoth, Byzantine and Moorish, of marble, jasper, breccia, porphyry and granite. This Islamic structure tells almost the entire story of western architecture – not least since, after the reconquest, its heart was ripped out and replaced by a Catholic cathedral. The glittering mosaics of the *mihrab*, which remains the mosque's true holy of holies, seem like stained glass windows patterned with Persian carpets.

Once the mosque opened on to the orangery. In this cobbled patio the live trees – probably originally date palms, echoing the columns within – sit in a series of circular beds linked like beads on a string by narrow irrigation channels. Any excess precious water could run like quicksilver from one bead to another. It does not take long in Cordoba or Granada to realise that water is the supreme delicacy of Moorish Spain. It is a building material as effective as brick or stone, and with it the Moors realised their genius for combining architecture and horticulture.

Murmuring, cooling fountains are the sensualist's delight. Water-filled stone lotus flowers lie close to the ground to be appreciated from the thick pile of carpets placed in the shade of orange trees or in the cooler *loggia*. Moorish gardens are infinitely subtle. That is why the celebrated restored gardens of the Generalife, higher up the Alhambra hill, come as such a shock. The noise! It is a relative Niagra, with inauthentic and energetic jets of water playing into the large pool of the Patio de la Acequia, high kicking in unison like Hollywood dancing girls.

On Tuesdays and Thursdays during the season, the Alhambra palace and gardens are open from 10pm to midnight. A night visit is surreal and haunting. Passing through the oblique entrance to the Moorish Lion Court is like approaching a party. You cannot see a soul, but as you enter the hum of chatter becomes a roar. Drinkless guests weave their way through the colonnades or cluster in groups; policemen lurk in the shadows. The art is to wait like a hawk and pounce on the perfect moment, the lull between gaggles of French and Spanish. The Alhambra demands solitude and silence.

> *'Water is the supreme delicacy of Moorish Spain'*

At that moment the great Court of the Myrtles is completely still. The low central pool is a smooth, dark sheet of water ingeniously fed to the brim and therefore a perfect mirror to the arcades of ornate filligree plasterwork, the gleaming tiles and the indigo sky. The burbling fountain is just audible; myrtle scent hangs in the air.

Meandering on, the palace becomes ever more magical – but exaggerated and distorted. Nuances are lost in the dramatic chiaroscuro. Arcades are doubled in height by their reflections. A Banksea rose transforms a 30 ft Cypress tree into a giant in yellow flamenco frills. The town below is a sea of twinkling lights, with the disembodied noises of playing children, barking dogs and hooting cars rising eerily upwards.

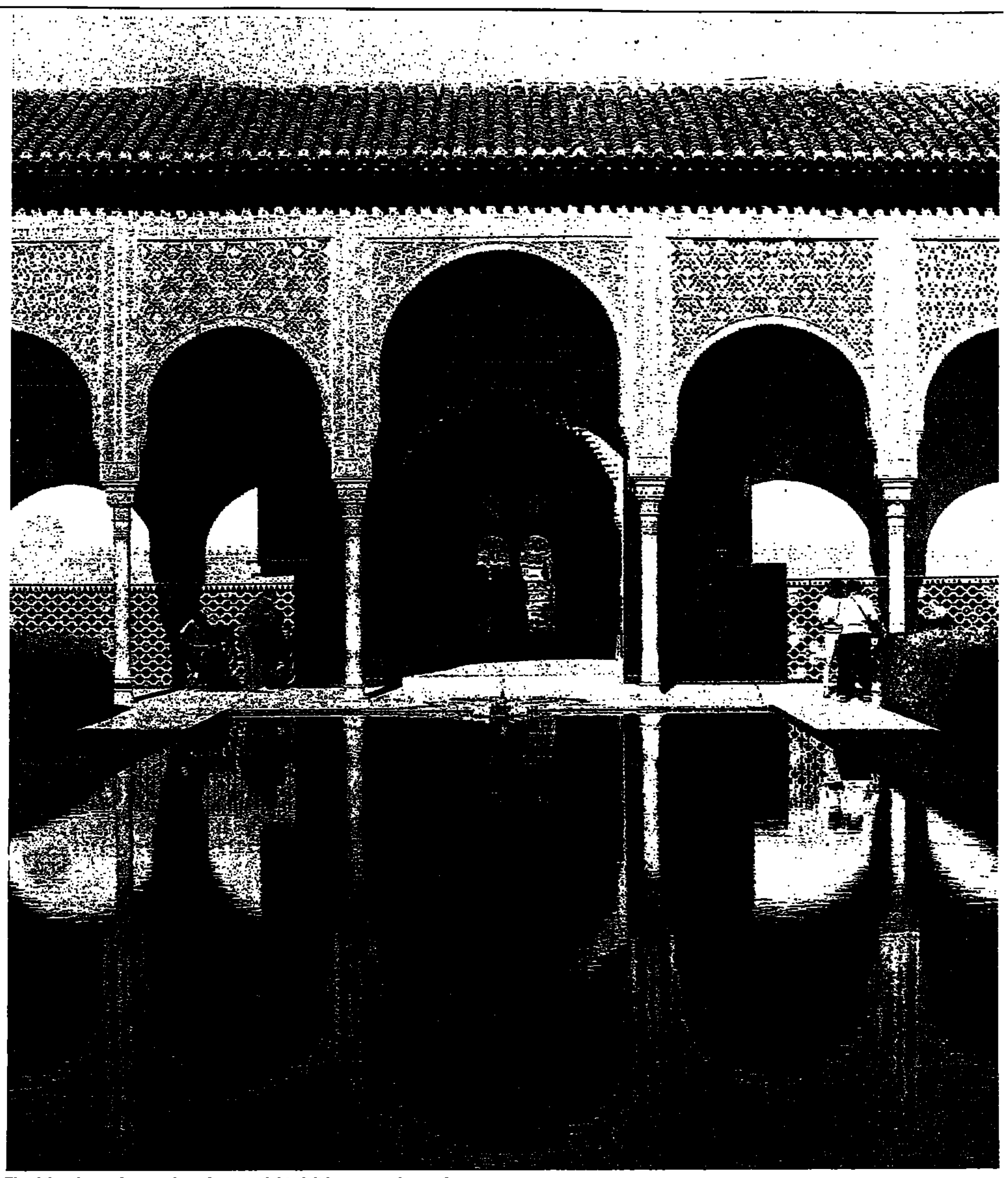
As we dawdled our way out through the imposing circular arcaded courtyard of Charles V's palace, the exasperated guards finally lost their patience and switched off all the lights. For a minute we stood in the centre of this immense bullring-cum-coliseum, alone, dwarfed and silent in the moonlight. It might have been Italy – or a stage set by de Chirico – but for the bull's heads in the frieze of the colonnade.

The palace of Charles V is arguably the finest Renaissance palace in Spain, but how odd its rusticated bulk looks. It seems an aberration, an historical hiccup. Andalucia is magnificently raw, emotive, defiant. Classicism is far less at home there than the astounding local versions of the Baroque.

There is nothing in the world to prepare you for the "Churrigueresque" sacristy of the Cartuja, or Carthusian monastery, at Granada – not least the rest of the monastery complex. In extreme contrast is the vast and austere 16th century refectory, lined with paintings illustrating harrowing scenes of the persecutions suffered by the Order in Reformation England.

The sacristy, which sets St Bruno in an altarpiece of marbled marzipan, seems a tour-de-force of the confectioner's art. Exuberant overwrought stucco work ripples and oozes and looks less like plaster than piped icing. It may be excessive, but in spirit it seems to belong: an 18th century descendant of the richly detailed ornamental stucco of the Alhambra.

■ *Susan Moore travelled c/o Fine Art Courses of 15 Savile Row, London W1X 1AE, tel: 071-437-8553. The company is planning a five-day gardens-plus-other-things tour to Granada, with an excursion to Ubeda, next Sept 24-29, with Robin Lane Fox as guest lecturer, price £1,250, single room supp £145. Fine Art Courses also offers trips to Italy.*



The Alhambra palace and gardens: a night visit is a surreal experience

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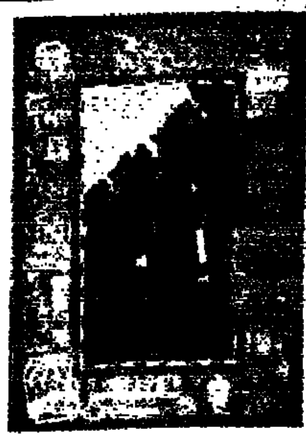

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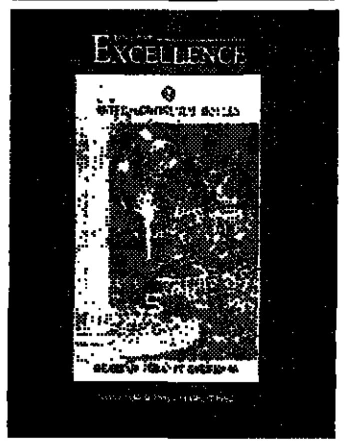

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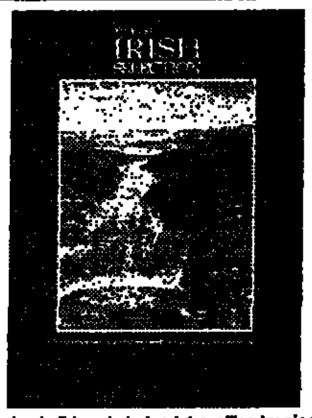

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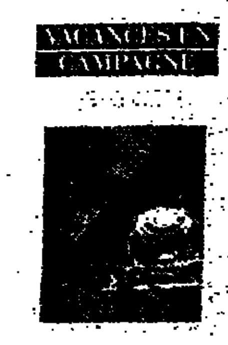

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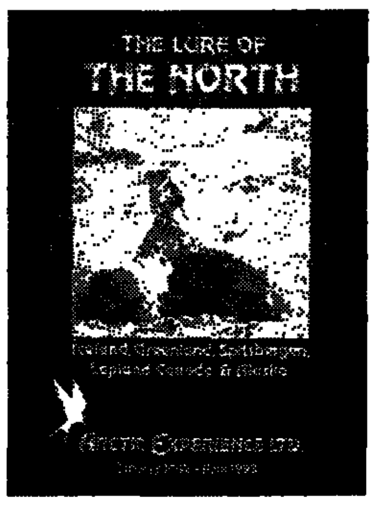

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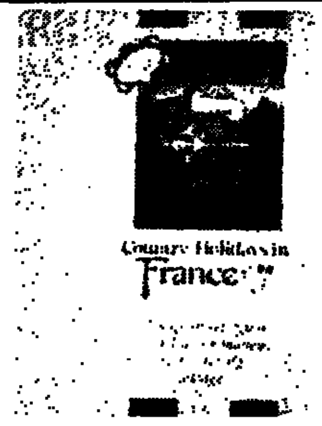

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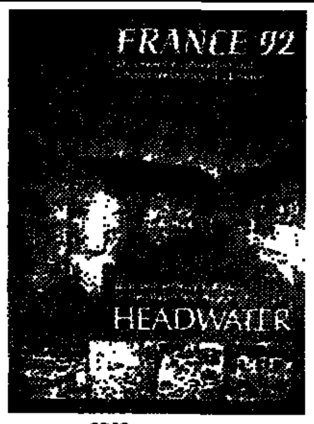

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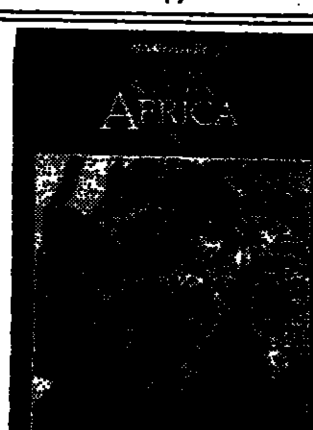

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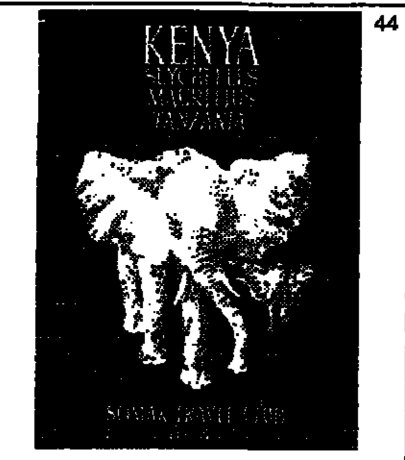

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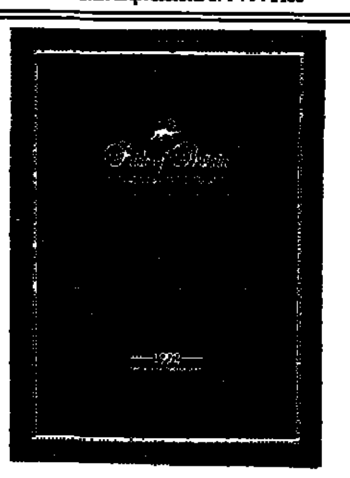

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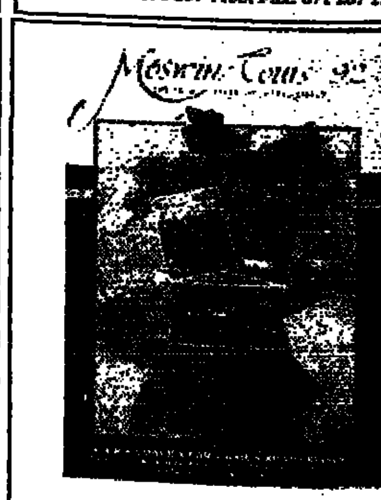

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TRAVEL

All creatures wild and murderous

Pip Little meets nature in the raw in the lovely Yorkshire dales

A SOUND OF distress came from the other side of a dry stone wall. I peered over to catch a slice of nature red-in tooth and claw as a stoat (or was it a pine marten?) took a screeching baby rabbit by the throat and dragged it off for lunch.

This was my introduction to "Herriot country," and I am sure that if the good veterinarian had been there he would have been able to sort out my small-creature query. As he was not, I continued along the paths of the Yorkshire dales, admiring what must be some of England's most beautiful and varied scenery.

If you do not get a kick out of walking and nature it is best to steer clear of James Herriot's back yard; on the other hand, you do not have to be a fan of *All Creatures Great and Small*, nor the plodding *Emmerdale Farm*, to enjoy the gaping limestone gorges, the pastoral riverside settings, the bleak, heathery moorlands and the patchwork of dry-stone walls that criss-cross from Wharfedale in the south to Swaledale in the north.

I took up residence for a week in the small, workmanlike town of Masham on the eastern edge of the dales. It is not as pretty as the village of Arncliffe on the River Skirface, nor twee like the tourist centre of Grassington on the Wharfe, but it offers a *Good Food Guide* restaurant, the Theakston's brewery and all the supplies for a self-catering cottage.

The let was an end-of-terrace house with one reasonable double and one tiny twin bedroom, a small lounge with open fire and a decent-sized kitchen. However, £250 for a week in May seemed high for the modest surroundings.

One of the roads out of town to the west takes you across Marsham moor, a striking entry to the Dales proper and an important reminder of how quickly mists can descend and disorientate walkers. Be prepared, as well, for the 30-mile round trips from Marsham to your chosen dale and for narrow roads if you drive by more scenic routes.

By far the best walk was in Swaledale and Gunnerside and was taken from *Pennine Way South* by Tony Hopkins. I did it late in the week so it did not mar the beautiful but less dramatic walks round the gentler areas of Upper Nidderdale, Kilnsey Moor and Moor End Fell on the River Wharfe.

Swaledale was an important lead mining area until the end of the last century, and Gunnerside Beck, which runs into the Swale, is littered with the crumbling remains of a forgotten industry. You will find rusting, small-gauge rail trucks for carring ore, a delightfully arched building for milling and sorting, and numerous tunnels that brought the lead from deep in the sides of the valleys. Surprisingly, few of the tunnels are sealed, but only the foolhardy would dare to enter.

Spoil heaps dominate the valleys in the mining areas, but instead of ruining the landscape they somehow enhance the severity of the moors and hillsides, giving a sharper contrast to the lushness of the riverside and woodland walks. From Gunnerside Gill there is a steep climb to a moorland scattered with grouse butts. A rocky descent, past the waterfalls of Swinner Gill and spectacular views of the gorge, takes you back to the Swale.

The atmospheric ruins of the 12th century Fountains Abbey near Ripon, standing in the extensive grounds of Studley Royal Estate, are well worth a visit. In 1132, some of the monks of St Mary's Abbey in York felt that their Benedictine rules of piety were not severe enough. They were given land on the banks of the River Skell and set about building their remarkable abbey on a site "fit rather to be the lair of beasts than human beings," as Archbishop Thurstan of Ripon, who donated the land, described it.

■ Accommodation: Dales Holiday Cottages, 12 Otley St, Skipton, North Yorkshire, BD23 1DZ (tel: 0756-799821 or -790919), has self-catering lets in Yorkshire and Northumbria.

Recommended restaurants and pubs: Floodlite restaurant, 7 Silver St, Masham; Kings Head (hotel-restaurant), Market Sq, Masham; The Falcon, Arncliffe; Kings Arms, Askrigg; White Lion, Cray; Tennent's Arms, Kilnsey.

Guides and books: *Holiday Which? Good Walks Guide*, edited by Tim Locke (Hodder & Stoughton); *National Trail Guide; Pennine Way South* by Tony Hopkins (Aurum Press); *Discovering the Yorkshire Dales* by Ron and Marlene Freethy (John Donald Publishers).

A landscape shaped by wind and water: Swinner Gill Force, in Swaledale

Miami: twice as nice, without vice

Alan Ponsford finds a haven of civilisation on Florida's coastline

A LONG week-end in Florida? The suggestion whipped up apathy, with visions of sweaty queues at Disney World, Epcot and Orlando airport. In north Miami? Images of innocent vulgarity changed into headlines proclaiming a violent, drug-ridden, racially-troubled hispanic sanctuary.

Then I read the small print: to the name of Turnberry Isle Yacht and Country Club was appended: "A Rafael Resort." I have only met Georg Rafael once, and that briefly. But my respect has mounted with the reputation, and some personal experience, of the 11 superb hotels he has created in just five years.

The handful dotted through continental Europe, such as Geneva's Hotel du Rhone and Dusseldorf's Breidenbacher Hof, together with the Mark, on New York's Madison Avenue, have set the tone – mostly smallish, once-grand-and-famous establishments, restored to under-stated elegance, discreet, little advertised yet increasingly chosen by choosy globe-trotters who spread the word by mouth.

Turnberry Isle offered the chance to sample one of the six Rafael holiday retreats, the others being scattered in Asia and the Pacific. Half-an-hour's freeway drive from Miami airport, the handsome complex was wrapped around courtyards, swimming pools and *al fresco* eating. The surrounding miles-long green vistas, stretching to clutches of yacht marinas and condominiums, were quite unrelated to the overblown, bizarre palaces lining Miami Beach, ten miles to the south, and to the area of highest-risk streets east of the airport.

In fact, Turnberry's semi-rural setting dispelled notions of enforced confinement prompted by its blurb's description of "exclusive Aventura" as "an enclave". In fact it occupies getting on for half of Aventura district's 785 acres, which were swampland 20 years ago before being transformed into a haven for the affluent.

Though guards man main gates, only quiet, unfenced roads border the two vast golf courses that encircle the hotel-cum-country-club building. These two championship 7,000-yard courses, predominently flat with only gentle, man-made undulations but lots of water, plus 24 tennis courts (18 lit for night play), a spa, and a marina, beach facilities and yacht club only a shuttle bus ride away, do indeed provide many of the customers with a one-stop holiday.

We, however, had plans for forays downtown in pursuit of a special treat whose flavour, but not location, I vividly recalled from many years ago – stone crabs. That, the locals said, must have been at Joe's, and be there by six or you will have to queue. *En route* to this southernmost extremity of the Beach, there were distractions to smooth away preconceptions of Miami's harshness.

Bal Harbour embraces, surely, one of the most stylish shopping malls in a country that specialises in them, bringing together the cream of US and European up-market stores and designers. Beyond, the flamboyance of the opulent apartment blocks and hotels lining the famous shoreline gives way to the stucco friezes, ornamental plasterwork, pinnacles and finials that compose the Art Deco district.

Our Saturday evening at Joe's Stone Crab Restaurant turned out to be fortuitous, for next day the restaurant was to close for Miami's off-season, the waiters dispersing till October. The menu had an arm-long selection of seafood, but nearly everyone seemed to order the delicious crabs which come from the waters of the Florida Keys.

The architecture of Miami is one of its greatest delights, and not just for the oddity of Art Deco. The main other styles, "Cracker" and "Mediterranean Revival," would be worth a day to themselves in the Coconut Grove and Coral Gables areas. But we could not give them that. Anyway, we got diverted in Coconut Grove by the agreeable scene at Monty's Raw Bar.

Here the convivial Sunday afternoon crowd sat in the sun, sipping and munching, tapping their feet to West Indian rhythms, watching the deep-sea fishing boats coming and going and little girls holding their skirts while they bobbed in front of the guitarist. No one looked like mugging anyone or starting a riot.

We would have liked to have soared over the Rickenbacker bridge to Key Biscayne, sample the pavement cafés of Coconut Grove, see more of the vernacular houses around the university in Coral Gables, stay for one of the many festivals, visit the Playhouse Theatre, eat Cuban food, study the art of the local artists.

A long week-end in Florida? It wasn't nearly long enough.

■ *At Turnberry Isle, daily room rates are upwards of $245 (£134) and suites $360-$1,350 to late May. They drop to $125 and $200-$950 in the low summer season. Everything else is extra, including the sports facilities. Green fee and caddycar for hotel guests: about $65 in winter, $44 in summer.*

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TRAVEL

*Does London offer a fair deal on accommodation? **Nicholas Lander** and **Michael Skapinker** study the controversy over room rates and VAT*

How to save on hotel bills

WHEN my colleague Nicholas Woodsworth was recently in Tbilisi, Georgia, he needed an hotel room, writes Nicholas Lander. Bereft of tourists, Tbilisi is a buyers' market. In the morning he was quoted the official government price of $120 (£66); by early afternoon it was down to $80; by evening, $32.

If the Georgians have so quickly discovered the workings of the free market, has the same lesson been learnt by their London counterparts? There is no doubt that today, as a result of recession, overbuilding and delusions of grandeur on the part of a number of London's hoteliers, it, too, is a buyers' market.

To discover how hungry the hotels might be for business, I phoned 15 central London hotels on behalf of a fictitious American couple who wanted a double room for two weekday nights, January 23 and 24. I could have made a reservation in any of them.

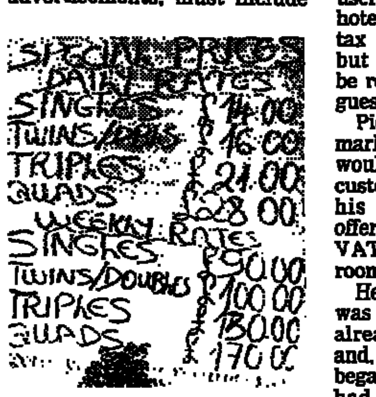
What surprised me was not the range of prices on offer but the difficulty in obtaining terms and conditions. Of the 15 I phoned, only three were prepared to tell me immediately what their price included. At the Savoy and Durrants the price included the room and valued added tax; at the Sheraton Park Tower it was the room but not the VAT.

At all the others it took some probing to discover whether the price offered included elements which could add another 25-30 per cent to the cost of the room.

Only the Beaufort and the Swiss Cottage Hotels included VAT, service and breakfast; the Connaught, idiosyncratically and illegally, adds a 15 per cent service charge to an amount that already includes a VAT element. And only one hotel, the Hilton, on Park Lane, offered a deal. There, until the end of January, a special room rate of £99 a night is on offer, exclusive of breakfast, service and VAT.

In an industry which has just survived a difficult year and is entering the traditionally quiet first quarter, this pricing disparity seems not only off-putting but unfriendly.

The dividing line, and one that can add 17.5 per cent to the price quoted, is how the hotels deal with VAT. According to the Sleeping Accommodation (Price Display) Order of 1977, the range of prices an hotel charges has to be displayed in the hotel lobby and must include the service charge. However, although VAT has to be charged, hotels are allowed to quote either inclusive or exclusive of this 17½ per cent (although all published prices, in brochures or advertisements, must include VAT).



But what would *clients* prefer? This issue splits London's hoteliers in two. One faction, vociferously led by David Levin at the Capital and Peter Bates at the Savoy, argues that hotels must behave like other retailers and include VAT in all their tariffs. Nobody buys a watch or a car, they argue, and then has to pay VAT as an extra.

Their point of view seems to be supported by the legislation governing food and drink charges, all of which must include VAT. These hoteliers do not want their guests to be presented with a bill made up of the room rate plus a series of small but expensive extras such as local taxes or the national sales tax.

However, this faction is now very much in a minority. Most of the international hotel chains, led by the large North American corporations such as Sheraton, Hyatt and the Four Seasons, have made a worldwide practice of quoting room rates exclusive of local taxes. This policy obviously makes life easier for the accountants in head office, if more confusing for paying guests.

This faction's claims have been given considerable support by the work of Derek Picot, general manager of London's Sheraton Park Tower. Three years ago he realised that business travellers – they account for 80 per cent of his clientele – are not the end users as far as the VAT on the hotel room is concerned. The tax had to be levied and paid but could, quite legitimately, be reclaimed and repaid to the guest's company.

Picot appreciated the extra marketing edge this knowledge would provide in wooing new customers and quietly, before his competitors realised, offered a service reclaiming the VAT incurred on the hotel room.

He also realised that there was no cut-off date for VAT already paid on hotel rooms and, on behalf of his clients, began to reclaim the VAT they had already paid. For one major client he reclaimed more than £45,000.

Picot's discovery is no longer a secret. For any company finance director keen to reclaim local sales tax, or anyone travelling in Europe on business, a most comprehensive survey of what is, and is not, recoverable has been compiled by Ernst and Young, the management consultants. It has published two small booklets entitled *Refunds of VAT to EC Businesses*, and *Refunds of EC Vat to Overseas Businesses*. They may not be ideal bedside reading but should be sufficient to persuade London's hoteliers to be consistent in their attitude to pricing.

■ The booklets are available from Ernst and Young, Rolls House, 7 Rolls Building, Fetter Lane, London EC4A 1NH. Tel: 071-928-2000.

A Japanese businessman in his London hotel room. But is the VAT included or not?

Why customers end up paying more

THE Lanesborough, London's newest hotel, opened for business just before the New Year, promising guests personal fax numbers and up to seven butlers on each of the four floors to do everything from shopping to answering the phone, writes Michael Skapinker.

The hotel, on the site of the old St George's hospital on Hyde Park Corner, says it will charge £190 a night for a single room and £220 for a double. In fact, guests (who can ask to be given the same fax number every time they stay at the Lanesborough) will end up paying 17½ per cent more than that.

The Lanesborough, owned by the Abu Dhabi Investment Authority and run by the Rosewood Corporation of the US, does not include VAT in its quoted rates, something which irritates hotels like those in the Savoy Group. The group, which includes the Savoy, Claridge's and the Connaught, includes VAT and service when telling guests how much they will be paying.

Peter Bates, the Savoy's sales and marketing director, admits there is nothing illegal about companies excluding VAT from their quoted rates, but he thinks customers have a right to know what the final bill will be. He does not want to see London hotels going the way of those in US cities. He recently stayed in a New York hotel which says it charges $200 (£109.80) a room. An innocent traveller, he says, would be upset to discover that after the addition of $26.50 sales tax, $12 room tax and $4 city room occupancy tax, the real cost per night, before room service and phone calls, was $242.50.

The number of luxury hotels in London excluding VAT from quoted rates has increased in the past year, Bates believes. The reason hotels exclude VAT, he says, is so that they can persuade straitened companies that business travel is cheaper than they think.

"People are trying to make their rates look more reasonable than they are," he says, adding that part of the reason for doing so is the recession and the drop in the number of business travellers. In addition, the opening of new London hotels such as the Lanesborough and the Langham Hilton has boosted competition.

The Lanesborough denied it had anything so devious in mind. It claimed not to be aware that other hotels quoted rates which included VAT. It said it had "no specific reason" for leaving VAT out.

Other luxury hotels in London have given the matter more thought and deny there is an element of sharp practice in excluding VAT. Indeed, some argue that it is the hotels which exclude VAT from the quoted rates which are treating their guests more honestly. Customers have a right to know exactly how much their rooms cost before the British taxman adds his 17½ per cent.

Ladbroke, which owns Hilton International, says that in the US it is common to quote rates exclusive of local taxes. For that reason, when marketing the Langham Hilton and the Hilton on Park Lane in the US, rates quoted are VAT-exclusive. In the UK, customers are used to inclusive prices and Ladbroke says that it includes VAT when quoting rates to British guests.

The Inn on the Park excludes VAT both for foreign and domestic customers. It says this helps its predominantly foreign clientele in reclaiming the VAT element in their bills. If customers want to know what the bill will be after VAT, they can always work it out for themselves, the hotel says.

Paul Dicken, head of policy at the British Tourist Authority, sides with the Savoy. "The BTA would prefer it to be very clear to the consumer exactly what he or she will end up paying," he says.

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SPORT

Tennis/John Barrett

Tough tests for creaking champions

THE FIRST of the year's major championships, the A$6.2m (£2.6m) Ford Australian Open, which begins at Flinders Park, Melbourne, on Monday – if it ever stops raining – will boast the strongest fields in its 97-year history. Only two men, Andre Agassi and Sergi Bruguera, and two women, Martina Navratilova and Nathalie Tauziat, are missing from the world's top 20.

The defending champions, Boris Becker and Monica Seles, each have their problems. Becker came early to Australia to gain match practice at last week's Hopman Cup in Perth, the mixed team event. Unfortunately, Steffi Graf went down with a mysterious illness that affected her balance and the top-seeded Germans lost unexpectedly to Czechoslovakia. Nor could Becker gain a last minute entry to this week's special event in Adelaide, the Rio International Challenge, so he will not be match tight.

Seles has been in Australia a week but, in unseasonably wet and chilly conditions, has had little serious practice. Not only has it rained every day in Melbourne for the last ten days, to make it the wettest January since records began in 1855, but the Yugoslav has also been suffering from a ricked neck – the result, she believes, of sleeping awkwardly on the flight to Australia.

The draw for this 79th men's championship, completed yesterday, has done Becker no favours. Seeded 3, he is in the top half and has a rejuvenated John McEnroe as a prospective third round opponent in a section which also includes the unseeded Pat Cash, another dangerous floater.

The top seed, Stefan Edberg, competing again after a ten-week break for injury, has a quiet section. He starts against a qualifier and has Peter Korda (9) cast as his fourth round opponent. In the quarter-finals Edberg is scheduled to meet Ivan Lendl (5), who beat him last year in a semi-final where the Swede served a double-fault on the first of two match points he held. The loss of that match was a psychological blow that set Edberg back for about three months.

The only apparent danger to Lendl comes from the other seed in his section, Derrick Rostagno (12). But Rostagno will have to be at his best to beat Brad Gilbert in the second round.

Assuming he survives, Becker's quarter-final opponent is supposed to be Karel Novacek (8) but the big Czech looked far from convincing in Perth where he lost badly to Rostagno and Becker. It would not surprise me if David Wheaton (15) emerged from that section. The tall American, a Wimbledon semi-finalist last year and the winner of the Compaq Grand Slam Cup, is one of the shrewdest men in the business. He knows exactly how to time his efforts for big occasions.

The lower half is the place to be drawn this year, although Jim Courier (2) will have one awkward hurdle in the third round. Three men will fight for the chance to play him. Jakob Hlasek, who led Switzerland to an impressive Hopman Cup victory, meets the improving Dutchman Paul Haarhuis in one of the best opening round matches. The winner will face tough Austrian Thomas Muster, who has performed well in Sydney this week.

According to the seeding, Courier's opponent in the fourth quarter-final should be fellow American Pete Sampras (6) who beat him to win the IBM/ATP Tour championships last November. But Sampras was nursing a shoulder injury after two Rio matches in Adelaide and is by no means certain to beat Goran Ivanisevic (10), provided the Croatian survives. He too has a suspect arm which he injured while winning the Australian men's hardcourt title, also in Adelaide, last week.

In the third quarter is the German powerhouse Michael Stich (4). Like Becker, Stich is short of match play because he lost his first match in Sydney this week. Nevertheless, he should be capable of surviving to face Goran Prpic (16) in the fourth round. Then he is supposed to meet either the French left-hander Guy Forget (7), who has had the most wretched luck to draw his Davis Cup team-mate Henri Leconte in the opening round, or Michael Chang (14).

However, I believe all of them may fall to the powerful serving of "Krackerjack", otherwise Richard Krajicek, who is the best young prospect in the game. This tall 20-year-old Dutchman, born of Czech parents, denied Lendl match practice by beating him in the first round in Sydney and may be ready to fulfil his enormous potential which, barring accidents, will one day take him to the topmost heights of the game.

Spare a thought this afternoon for Jeremy Bates. The British No 1 has come through two rounds of qualifying and must beat South Africa's Byron Talbot to earn a place in the main draw. That should not be beyond him.

The seeded women usually perform reliably in the majors. Last year in Australia the only unseeded quarter-finalist was the German Anke Huber, who fell to Seles. After a marvellous year which saw her climb from 34 to 14 in the rankings this gritty baseliner, now 17, finds herself seeded 16 with the prospect of another quarter-final clash against Seles. First, though, she must beat last year's beaten finalist, Jana Novotna (6).

In the second quarter, Arantxa Sanchez Vicario (4), is scheduled to meet Conchita Martinez (8) who she beat in a first career meeting in Sydney this week, but both may be upset by Manuela Maleeva Fragniere (9) who beat Sanchez decisively in the Hopman Cup.

In the lower half Graf (2) has been dealt a less attractive hand. Fate has put her Hopman Cup conqueror Helena Sukova (15) in her section with Mary Joe Fernandez (7) or Judith Weisner (14) next in the firing line – none of them easy opponents for a player who is clearly out of sorts physically and not yet restored to the full confidence of that Golden Grand Slam year of 1988.

Also in this half is Gabriela Sabatini (3) who must first dispose of Katerina Maleeva (10), and then either Jennifer Capriati (5) or Zina Garrison (11). I would not be surprised to see Capriati emerge here as the only real threat to Seles. Her win over Navratilova at Wimbledon and her near-miss against Seles in the US Open were, for me, the two best women's matches of 1991. Make no mistake, Capriati is ready to explode

German powerhouse: Michael Stich short of match play for the Australian Open

Cricket

The fools who killed off the Hill

Kevin Brown on the sad slide of Test cricket in Australia

THERE used to be a grassy mound more or less opposite the pavilion at the Sydney cricket ground. They called it The Hill, and for generations of working class Sydneysiders it was a second home for the five days a year when Australia met its touring opponents in the Sydney Test match.

By all accounts they were a rough lot on The Hill, but they knew about cricket. The most famous habitué of The Hill was Stephen Gasgoigne, fondly known as Yabba, whose stentorian voice carried clear across the ground from his position under the old scoreboard.

Even Douglas Jardine, England's captain during the 1932 bodyline series, is said to have smiled when Yabba spotted him swatting bluebottles and roared: "Jardine, leave our flies alone." So great was Yabba's fame that Sir Jack Hobbs sought him out and shook his hand across the boundary fence after his last Sydney innings.

The Hill was still there 12 months ago, when Graham Gooch and David Gower nearly batted England to victory over Australia. But it was no longer a storehouse of wit and colour; sadly, it was infested by drunken gangs of English yobs whose grimy flags and football chants smacked of soccer fans at their worst.

The English antics played some part in the end of The Hill, which had become a source of concern to the New South Wales police and the cricket authorities, because of the growing number of hooligans it was attracting. The area was concreted over last winter, and now sports the same anonymous rows of beige plastic chairs as the rest of the ground.

It remains an institution, if only because a nameplate identifies it as Yabba's Hill in the same type allotted to the adjacent Doug Walters and (Bill) O'Reilly stands. And there were plenty of would-be Yabba's there during the classic Test match against Mohammad Azharuddin's Indians which finished in a draw on Tuesday.

Fortunately, there was no repetition of last year's boorish English behaviour, or of the near-riot at the Melbourne Cricket Ground recently, when spectators in the upper stands threw whatever came to hand at those seated below. But Yabba would surely have been shocked by the drunken chants of "boring" which punctuated even those periods when India were scoring quickly, and by the ignorance of a large body of spectators – exemplified by repeated demands for local hero Mike Whitney to bowl after he came on as substitute.

For their A$20 (£8.50) a day, the fans on The Hill saw Australia race to 234-for-4 on the first day, only to slump to 313 all out after a terrific exhibition of swing bowling from Kapil Dev, Manoj Prabhakar and Subroto Banerjee, who was brought in to strengthen the bowling after India's defeats in the first two Tests in Brisbane and Melbourne.

India made 483 all out, thanks to a wonderful 206 by Ravi Shastri, a solid 54 by Dilip Vengsarkar, and an imperious 148 not out by 18-year-old Sachin Tendulkar who treated the crowd to every shot in the coaching manual except the hook.

On the last day, Australia collapsed to 173-for-8 as Shastri took 4-for-48 from perfectly flighted left-arm spin on a turning wicket. At the last gasp, Australia were saved by a captain's innings of 53 not out by Border. Even so, India could fairly claim they would have won but for the loss of five hours to rain, mostly on the third day.

How any cricket lover could find all this boring would be beyond comprehension but for the surfeit of one-day international cricket which now dominates the Australian summer. More than 50 one-day internationals will be played in Australia and New Zealand between January and the end of March as first the World Series Cup and then the World Cup dominate the sporting headlines.

All guarantee a result, plenty of big hitting and an exciting run-chase in the final hour, even if the price is several hours of medium-pace trundling to defensive fields.

The World Series Cup, played in coloured track suits with a white ball under floodlights, is a particularly inane spectacle to the purist, especially since there appears to be no reason for its existence other than the programming demands of Kerry Packer's Channel Nine TV network.

This year the participants are Australia, India and the West Indies. No doubt one of them will win, but will anyone remember once the lights are turned off?

The World Cup will be more interesting, if only for the reappearance of South Africa in Australia after some 20 years. Curiously, they will be captained by Kepler Wessels, who played more than 20 Tests for Australia after migrating from South Africa. That will at least remind Australians that England is not the only country willing to take advantage of South African expatriates.

Meanwhile, the increasingly arcane world of Test cricket moves to Adelaide on January 25, and then to Perth on February 1. The Indians showed in Sydney that they are capable of outplaying Australia in every department, including fielding, where they appeared to have absorbed the lessons handed out by Australia in Brisbane and Melbourne.

Then, back in Sydney, the denizens of The Hill will be roaring as the yellow track-suited Australians struggle to overcome the blue-suited English, and so on in the World Cup.

It will be an opportunity for a number of great players, including Gooch, to play a final innings on a great ground. But can anyone imagine Gooch walking down to The Hill afterwards to shake hands across the fence?

Marble at all this

Audrey Powell views apartment blocks on the Costa del Sol

IF YOU fancy an apartment in the 17-acre Spanish beachside development of Los Granados, adjoining Puerto Banus marina on the Costa del Sol, it would be as well to like marble.

The interior and interior facades of the three apartment blocks – 322 units altogether – are of white marble. Staircases, floors, terraces, even the flower boxes are of marble. The lifts are lined with the stuff.

So far, one block has been completed. (Some 750,000 sq ft of marble has been used on this block, with the administration office and beach club.) Marble "bricks" pave the walkways. In all, when the other two apartment buildings are finished, some 1,930,000 sq ft of marble will have gone into Los Granados.

The apartment blocks form a semi-circle facing the sea; they are on four floors. Rear windows look out at La Concha mountain. Each building has its own swimming pool and penthouses, and the ground floor apartments have private pools. There is a choice of units containing one to four bedrooms. Those at ground level have their own gardens, raised 6 ft above the communal garden for privacy.

The beach club has a restaurant, gymnasium and indoor heated swimming pool. There are three tennis courts. The colourful life of Marbella is a few minutes away, and the Costa del Sol offers 27 golf courses; a number expected to rise to 40 by 1995.

Prices for Los Granados apartments range from about £250,000 to £1m. for a penthouse. Maintenance charges average £4,000 a year.

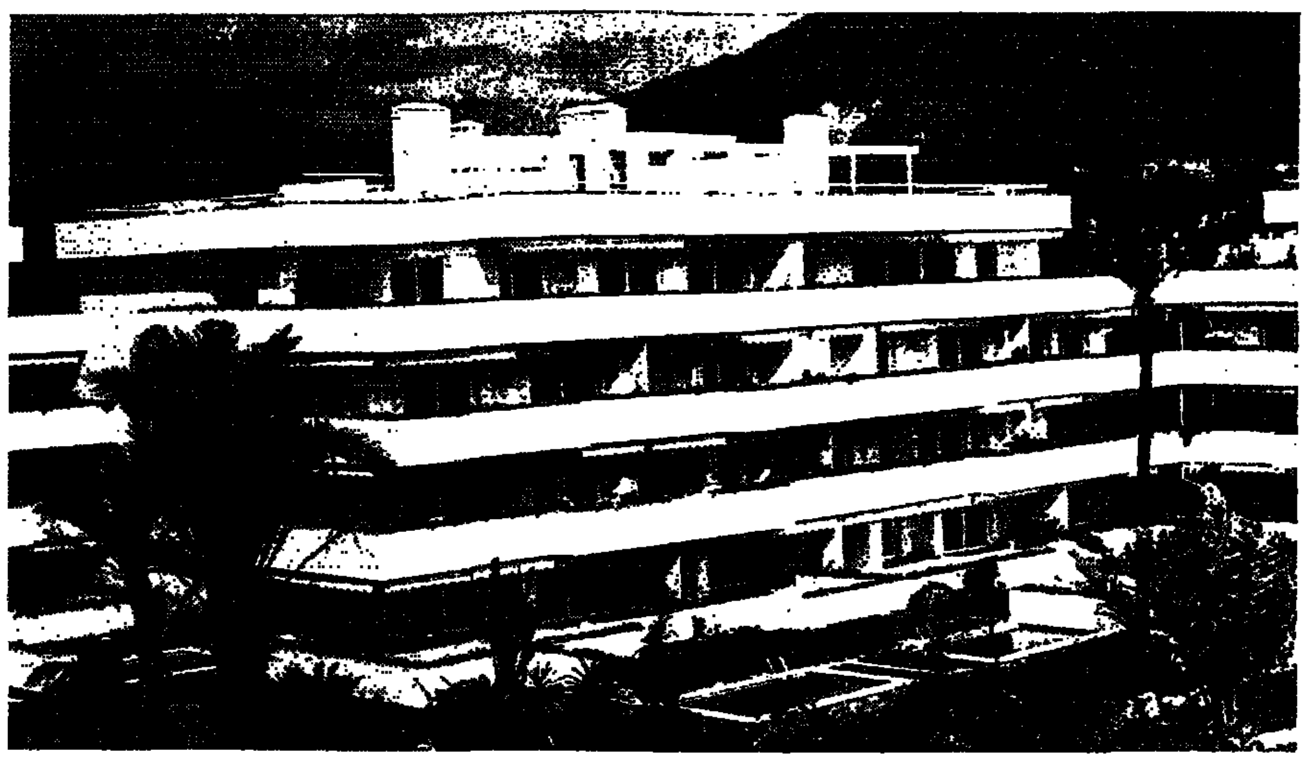
The estate is a joint venture between Immobiliaria Espacio (whose parent company is under the direction of a former Spanish minister of finance), and Kepro, a subsidiary of Kemper, a Chicago insurance company. (For the Marbella site office tel: 814353 and in the UK tel: 081-748-5988).

Los Granados sales are said to be improving, but elsewhere it is hard to detect significant signs of an upturn along the coast. Knight Frank & Rutley, one of the UK's larger estate agencies, has closed the office it opened last year at Guadalmina on the Costa del Sol; this has been taken over by Barbara Wood, who managed the office for KFR. It is now being run as BD Wood Property Services, in association with Knight Frank & Rutley.

It seems that KFR did not envisage a recovery in the market coming quickly enough – though "it seems to have perked up in recent months." KFR will continue to give Wood the international back-up needed to benefit sales of higher priced properties. Wood concedes that, at this level, things have been "extremely difficult" over the last 12 months. "However, recently we have achieved a number of sales between £200,000 and £1.5m."

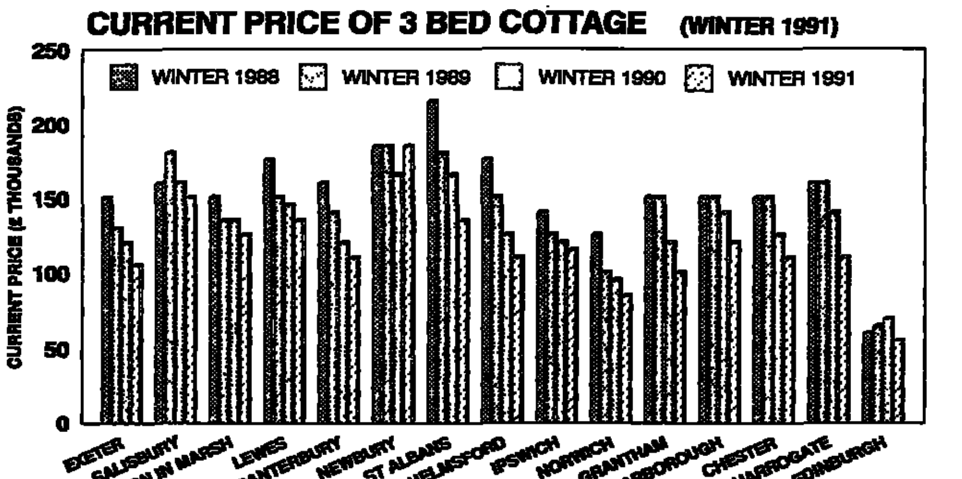
Moving further along the Spanish coastline towards Gibraltar, Hamptons International is offering the last dozen or so units in the holiday complex at Alcazaba Beach, Estepona, where prices have been reduced by 40 per cent.

Two-bedroom, two-bathroom apartments that came on the market at £145,000 are now £89,000. (Tel: 071-493-8222 in the UK.)



Part of the first phase of the Los Granados (Pomegranates) Estate next to Puerto Banus

CURRENT PRICE OF 3 BED COTTAGE (WINTER 1991)



A BUYERS' market for country properties in 1991 had its impact on values, as Strutt & Parker's cottage price guide suggests. S & P confirms that higher value properties have been suffering worst. "Overall evidence suggests to us that prices at the higher end of the market fell by an average of 25 per cent during 1991."

The agents believe the average masks higher regional price increases.

French villas to rent

EYE-CATCHING private villas – the kind passed on roads zig-zagging up hillsides, or even beside the water on the Côte d'Azur – may be briefly available to a wider public.

Owners of these lush properties in the south of France could be willing to let them for holiday use – at a price. An agency specialising in this rental market says that in high season such properties fetch from £2,000 to £90,000 a month.

The agency, Riviera Retreats, at Mougins, is run by an English former naval officer, Richard Wolf, and his wife. It represents Argosy Pollet, based in Guernsey, a company which has been involved in letting on the Côte d'Azur for 10 years.

A great variety of properties is on its books. In Cannes a villa sleeping 12 (and staff), a few minutes from the fashionable Croisette, rents for £26,000 in August.

A *château* at Montauroux, set in 12 acres, carries a top rental of £21,500 a month; an old mill at Grimaud lets for £10,000. At Villefranche, near the water, a villa with painted ceilings, chandeliers, marble floors, gardens, pool and private quay, commands a peak-month sum of £90,000

Contrast this with a one-bedroom apartment in Cannes, with sea views, shared gardens, pool and tennis court, at £3,500.

A London couple, who let their south of France property for July and August each year, says the rent covers their costs. But the agency warns that sums obtained in June and September are 30 per cent less – and owners must expect much lower figures in the winter period – a property earning £7,000 a month in summer may let for only £1,500 a month in winter. If a villa is taken for six months in the low season, the rent is about a quarter of the full summer price, or less.

The value of properties on Wolf's list ranges between £150,000 to many millions of pounds; he says there is no clear relationship between value and rental achieved. The state of equipment in a property, and its decoration, count for much in letting.

All properties on the agency's list have swimming pools unless otherwise stated.

Riviera Retreats (telephone number in France: 93 64 96 40) has 120 villas and apartments on its letting list, nearly 100 managed on a year-round basis.

A.P.

Values which characterise UK market

John Brennan on households which still live in dreamland

DREAM VALUES are not factors that can be found in the professional valuation tables. The term has no base in a dictionary. Yet this jumbled mix of an affliction and a blessing ideally characterises the UK housing market at the beginning of 1992.

The affliction expresses itself as an unwillingness to make a move, quite possibly a necessary move, because of the sheer power of a dream value.

Once a figure, or a range of values, has become stuck in the mind of a homeowner it takes either an unusually persuasive sales agent or an inescapable move to persuade an owner to think in any other price terms.

The blessing of dream values, at least as far as the property finance and transfer industry is concerned, is clear enough. The vast majority of homeowners are sitting quietly, confidently waiting for things "to get back to normal".

There have been no mortgage riots; no mass repayment of old home loans; no general withdraw of deposits from home lenders whose prospects of lending into the 1990's at the same kind of security as in past decades may be thinning out.

Dream values that are unchallenged encourage quiescence; and no matter how bluntly you might say to your immediate neighbour that his or her home could be worth a third less than at the dreamers' peak of the sales market in 1988, they will not believe you. Indeed, why should they absorb bad news when it is unnecessary to break the dream?

The "wealth effect", which helped to fuel consumer spending before the housing market reverse, depends upon these dream values.

While residential housing values were rising towards £1,000bn nationally, any semi-detached owner could afford to enjoy adding several hundred pounds to his or her credit card bills with a good conscience.

With that personal housing-worth total down to nearer £800bn, and either static or still declining, any owner who is not won over by dream values might be expected to be suffering from the reverse of the 1980s wealth effect.

In practice, apart from the obvious wealth reversals of repossessions and forced sales, most owners have merely become significantly more selective in their spending.

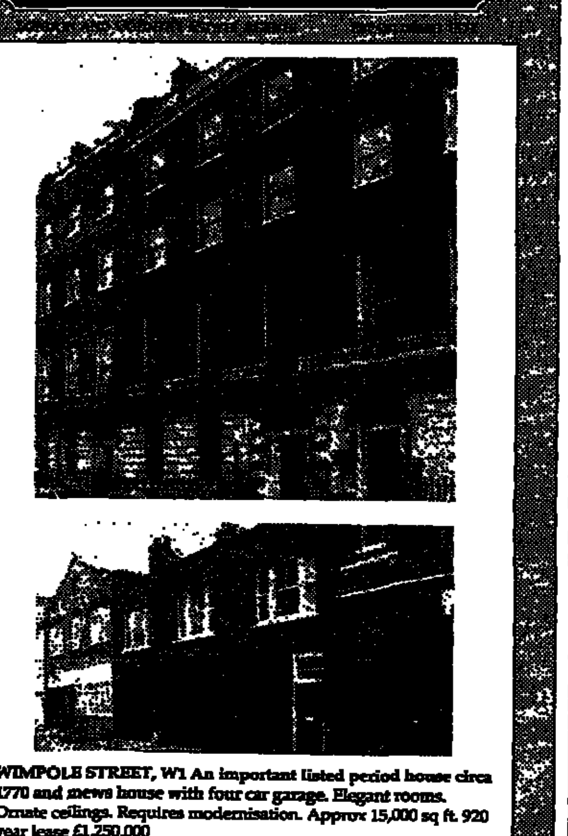
It is the silence of the majority that enables lenders to keep repeating, without challenge, the belief that no long-term or irredeemable damage has been done to the principle of owner-occupation.

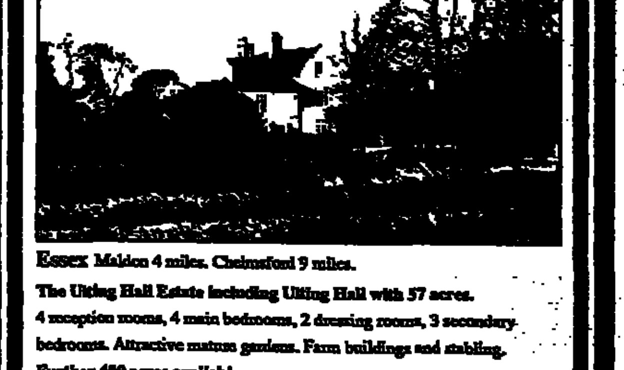
In a pre-Christmas note on affordability of housing, the Halifax Building Society's David Gilchrist and Gary Marsh give full weight to the main change in the economic background to house prices and the effect on interest rates and inflation of sterling's membership of the European Exchange Rate Mechanism.

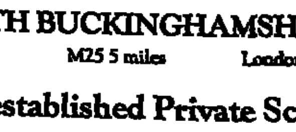
No prospects of runaway inflation mean no equivalent prospects of soaring property price rises. But these are points that have not yet sunk into the dream price households.

Even the Halifax recognises that it is less a philosophical certainty and more the lack of practical accommodation alternatives that enables it to say that the society research team "remains confident that the current recession will end, and that when it does, owner-occupied housing will continue to be the preference and aspiration of most of the UK population."

Lenders' confidence looks secure so long as not too many homeowners have been forced to awaken from those dream values before we get "back to normal."







GARDENING

This is the year for planting heavy metal

TO DATE, this year's weather has claimed no casualties in the garden: some of the half-hardy plants are still with us, an unexpected setting for 1992. In this dry spell, my plans for the year are ambitious, a short cut to early arthritis.

I want new flower beds, new plantings, *new hedging experiments* and swathes of garden where at present there is only muddle.

The experiments are straightforward, but they need some lengths of heavy metal. Three years ago, I planted a young yew hedge during one of the dry spring seasons. The soil is stony everywhere, but especially stony where the yews have to sit: it was hard enough to plant them in holes of friendly compost and it would have been even harder to put in a barrier to contain their hungry roots. It seemed cruel to both of us to block them in at any depth during dry weather. Like the yews, my plans have grown and I have to correct this short-cut.

In front of the hedge, I want a new border. I do not merely want it: I have made it and one end is already planted with the recurrent pink rose Jacques Cartier, a modern Dianthus called Widdecombe Fair *and a promising small* sorbus called koehneana which has white berries.

If you want a proper flower bed in front of a yew hedge, you have to curb the hedge's roots because they will exhaust the soil. The best method is to take some strips of corrugated sheeting from a rubbish tip or unwanted shed and bury them about two feet from the yews to a depth of two or three feet. The yews will grow strongly, but they will be unable to penetrate the border in front of them. You will realise your photographic dream, a border of flowers against an ideal background of dark, living green.

Further along, I also want a hedge of roses. They too, need a heavy metal treatment. Their great vice is that they go bare at the base unless they are tied down to a length of plain wire, set just above ground level and stretched tightly between metal uprights. Several of the best old-fashioned roses will then make a thick hedge if they are planted about three feet apart and their shoots are stretched ruthlessly sideways on a low wire as soon as they are planted.

Once again, I have a local boulder problem, but my present plan is to wire up an old Edwardian beauty called Mrs John Laing and enjoy her continuous roses of strong pink in a hedge of wires, broken up by small standard Pteleas, round-headed trees with scented flowers. Expect reports on progress: the likeliest enemy is the usual black spot which affects roses on my light soil.

Elsewhere, my plans are for permanencies which ought to have been finalised three years ago. One of the consequences of making a new garden is the realisation that the principled advice of books is seldom obeyed in practice. Authors always tell us to place the long-term features first, but new ideas intrude and new possibilities emerge as the site is progressively tamed.

I have long-term designs on a low sweet-scented hedge of sarcocca which flowers in winter. I want to imitate the wooden pergolas in the French rose garden at Bagatelle; I want a serious Magnolia which will survive on lime in the Cotswolds and allow its flowers to hang down like lids on a rare white dish. The likeliest candidate seems to be Magnolia Wilsonii, which is said to tolerate lime and is selling locally at a decent height for only £10.

These features would all have been better placed three years ago, but I had not realised that I wanted them. It is the same story with one edge of the lawn which runs into rough grass under trees and now badly needs a garden in keeping with the rest of the design.

Nothing will happen in 1992 to change my non-green approach to clearing a wilderness. There is no substitute for sensible use of a weedkiller which does not affect the structure of the soil: I use Round-up, because it is the strongest form of killer with glyphosate on the market. On a site which has been rounded up, I can then think of gardening, beginning with hellebores in February, flowering Ribes in spring and then forms of shade-tolerant rose alba in high summer and cyclamen for autumn.

There will also be more room for my latest little-known weapon. In the 17th century, the double-flowered forms of our native Soapwort were popular in gardens, but you have to hunt for them hard in your Plantfinder nowadays under Saponaria. In 1989 I acquired a tiny scrap of the old double white form. By 1990, it had run all over the place, killing a nearby daphne and asking to be moved out of a special flower bed as soon as possible. It belongs in a wild setting where it will spread happily, and continue to produce double white flowers about a foot high from July until the frosts.

On cool days and in the evening its scent spreads wonderfully, sweet and rich in an unexpected way. It is much too strong for a small flower bed but it will be my nap for 1992, weed-proof in a border at that awkward point where mown grass runs into the undergrowth of trees.

Robin Lane Fox

Plant of the week
(Freesia Hybrids)

Various garden varieties and hybrids of Freesia alba and F. armstrongii are grown for winter and early spring flowering in greenhouses and conservatories for their very sweetly scented flowers, which are valued for cutting as well as for house decoration. Colours include white, pink, red, mauve, lavender, cream and yellow, and some varieties have double flowers. Seed should be sown anytime in spring in a temperature of 16°-18° C. thinly in the pots in which they will flower. The plants are supported with small canes and twine, or with brushy twigs. During the summer, the pots can be stood outdoors in a sunny, sheltered place, but must come back under cover in early autumn. After flowering, the corms that have formed during the year can be repotted in summer and grown for another year, when they will flower a little earlier................ *AH*

Being kind to geranium cuttings

Arthur Hellyer leafs through the traditional catalogues and finds a huge choice of varieties for every flower bed and pot

NOW THAT virtually all the geraniums we use for planting outdoors in summer are grown from seed, it is easy to forget that there is a different and very important – though much smaller – trade in geraniums grown in the traditional way, from cuttings.

This is carried out by nurseries, a few of which, such as The Vernon Geranium Nursery, Cuddington Way, Cheam, Surrey; Fibrex Nurseries, Honeybourne Road, Pebworth, Stratford on Avon, and Thorp's Nurseries, 257 Finchampstead Road, Wokingham, Berkshire, grow hundreds of varieties. I have just received the 1992 Vernon catalogue, which is exceptionally well illustrated and it made me think about the varied types of geranium that are available in this way.

Taking this catalogue as a reminder, I see that Vernon leads off with Speckled Geraniums, which means speckled flowers, although there are quite different varieties with speckled or netted leaves.

I do not know any of the nine varieties which Vernon puts in this class and cannot say how the speckling arises, but in most of the ivy-leaved or trailing varieties colour blotching, which can be very bold, is due to virus infection. This, though not harmful to the plants, can produce variable results which are not to everyone's liking. Nevertheless an ivy-leaved geranium such as Rouletta, which combines carmine and white in varying proportions, is very popular and most striking for hanging baskets, window boxes and other containers.

Still following Vernon, there are a few finger-flowered varieties, in which the petals are quilled and the leaves deeply lobed. There are also many varieties with double or semi-double flowers which I know to be highly effective. In the way geranium specialists tend to have of making things rather too complicated they recognise a separate race of double-flowered varieties known as Rosebud Geraniums which have small, very full flowers like little pompons. They are pretty but I have found them difficult to grow as the flowers rot if the air is too moist.

Then there are Irene Geraniums, with big single flowers, although their leaves can easily get too large and coarse if they are given over-rich soil. The Deacon Geraniums are yet another double-flowered race and were all raised by the late Rev S Stringer. Many, but not all, appear to make exceptionally compact plants.

There is a great class of Single Geraniums, in character similar to most of those we now grow so freely from seed. Cactus-flowered Geraniums have quilled petals; the Vernon Geranium Nursery lists 18 varieties of a type which it calls Stellar Geraniums. They seem to have no common characteristics except that they all originated from crosses made between a geranium known as Chinese Cactus and ordinary zonal-leaved geraniums, the kind we commonly think of when geraniums are mentioned.

A few geraniums have cupped flowers and are known as tulip-flowered. There are also old varieties with rather thin yet distinctly woody stems that are called Unique Geraniums, and are close to the Regal Geraniums. Then there is a big section, known as Scented Leaf Geraniums, which have nothing in common except the quality of having aromatic foliage which releases its scent when brushed. Most have insignificant flowers and many have deeply divided leaves but one, named Pelargonium Tomentosum, has big, heart-shaped, densely downy leaves that are strongly peppermint scented. Other scents are lemon, apple, rose, nutmeg and pine.

There is a big class called Golden Foliage Geraniums and another called Ornamental Foliage Geraniums, some of which have three separate bands of colour on the leaves. One of the most famous of these is Mrs H Cox, which combines bands of yellow, red and black with a green centre. It won a First Class Certificate from the Royal Horticultural Society as long ago as 1879.

There are a great many Dwarf Geraniums and at least as many Miniatures which are even smaller, just a few inches high. Cascade Ivy-leaved Geraniums are much grown on the continent and Hybrid Ivy-leaved Geraniums are the result of crossing ordinary ivy-leaved varieties with Zonals. They are intermediate in habit and excellent for hanging baskets, window boxes and other containers.

Regal Pelargoniums are mainly for cultivation in greenhouses and conservatories though they can be used outdoors. They have large, often richly-coloured flowers which are produced in late spring and early summer. They can be stood outdoors when they cease to flower but need to be brought inside before there is frost in the autumn.

Finally, there are the Angel Geraniums, which are really miniature Regals and are said to be gaining in popularity.

It is an astonishing variety of plants to be obtained from one genus. Plants can be purchased as rooted cuttings or as small pot plants for many months of the year but especially in spring and early summer. They are easily grown in peat or soil composts but most of the experts seem to prefer peat because of its open, well-drained character.

They must not be allowed to freeze at any time, although high temperatures are not necessary. For economy in winter I set my greenhouse thermostat at 7°C and keep the plants rather dry, but it would really be better to have it three or four degrees higher. The biggest danger in winter is from botrytis or grey mould fungus, which produces a rapid decay of stems and leaves and flourishes in cold, damp air. Sulphur is the best remedy, either spray or dust form.

LEGAL NOTICE

No. 0013938 of 1992
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF DUMAS GROUP PLC
- AND -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 13th day of December 1991 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account and Cancellation of the Capital Redemption Reserve of the above-named Company.

AND NOTICE IS HEREBY GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Mummery at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 20th day of January 1992.

ANY Creditor or Shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said reduction of the Share Premium Account and the cancellation of the Capital Redemption Reserve of the Company should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 10th day of January 1992

Gouldens
22 Tudor Street,
London EC4Y 0JJ

Motoring/**Stuart Marshall**

Lorry speed limit debate rumbles into centre lane

IN TWO years, lower speed limits for heavy lorries and coaches could begin to make UK motorways more pleasant and safe for car drivers.

The European Council of Transport Ministers has decided that from January 1994 new lorries weighing more than 12 tonnes and coaches must have devices fitted which will restrict their speeds: lorries to 56 mph (90 kms) and coaches to 62 mph (100 kms). Eventually all lorries and coaches will have these limiters, though not until 1998.

It is a modest change. At present, even the largest articulated lorries are allowed to use motorways at 60 mph (96 kmh) and coaches at 70 mph (112 kmh).

We all know what some of them, not yet fitted with speed limiters, really travel at, given half a chance. Talk of 70 mph juggernauts and 85 mph express coaches has long been fact, not just motorway lore.

Protests from the hauliers and coach operators have been anguished and predictable. Some lorry men say the lower speed limits will increase journey times, raise costs and put them out of business. Coach operators say they will not be competitive with long-distance trains any more.

To which millions of car drivers may well reply: tough!

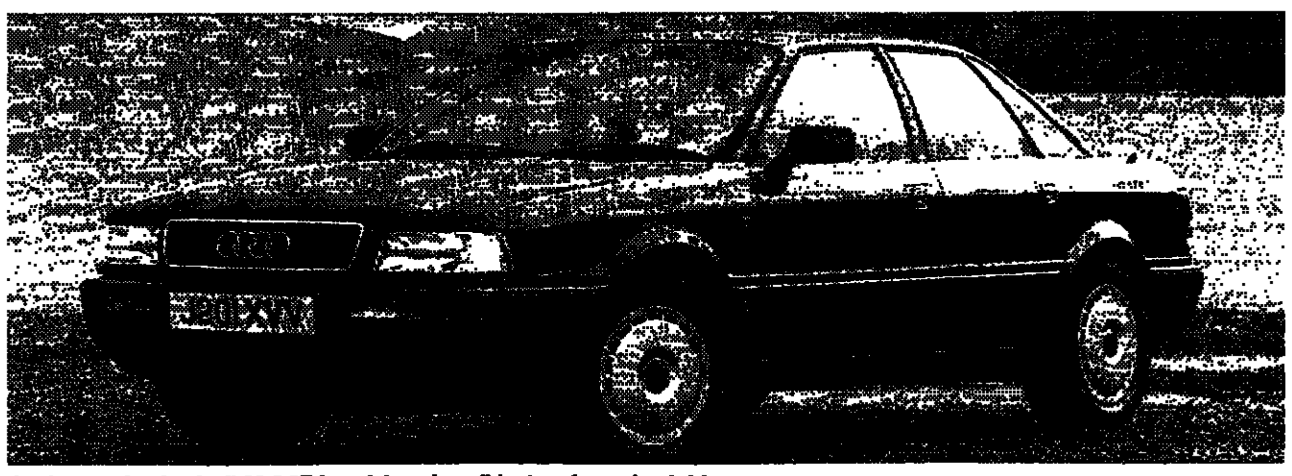
I could never understand why a 10 tonne coach carrying 50 unbelted passengers was legal at 70mph (113 kmh) in pouring rain while the driver of a Jaguar who touched 101 mph (162 kmh) for a mile or so in the dry was a speed-crazed road hog deserving disqualification. Or why big articulated lorries, notoriously unstable under hard braking, especially when unladen, were ever thought safe at 60 mph on busy motorways at all.

Will the new limits be an unmixed blessing for car drivers? My first reaction was that they must be, but the Freight Transport Association thinks not. They could, it says, make motorways even more dangerous by widening the differential between car and heavy vehicle speeds. (I think Germans would find this argument hard to follow).

If 62 mph-limited coaches are still allowed in the overtaking lane, they will obstruct 70 mph cars. And if they are to be banned from it, as heavy lorries are now, then the middle lane will become even busier. That, the FTA argues, would make it a more alarming place for car drivers who prefer not to use the third (overtaking) lane. "They would," it says, "find themselves sandwiched between lines of HGVs (heavy goods vehicles) and coaches."

In effect, the speed of traffic in the centre lane would be reduced to that of the slowest common denominator of 56 mph (90 kmh).

I have a feeling the debate has only just started . . .



Getting a grip: the Audi 80 2.8E is quick and confident on four-wheel drive

Audi offers more than mere size

AUDI HAS aimed the new 80 range straight at the executive "user chooser" who is more impressed by quality and technology than mere size.

The seven models available in Britain have engines ranging from a 90 horsepower 2-litre 4-cylinder to a 174 bhp, 2.8 litre V6.

Five of the new front-wheel driven 4-door saloons are priced below the £19,250 barrier at which the company car tax penalty rises steeply.

The cheapest is the £13,998 entry model called simply the Audi 80. An ultra-clean, ultra-economical direct-injection turbo-diesel, due here in early spring, will be £14,974.

There are two quattros with permanently engaged four-wheel drive.

One has a 2-litre, 16-valve engine putting out 137 horsepower, the other the 2.8 litre V6. Both, unfortunately, cost more than £19,250. The 2.0 16v is £19,998 and the V6, £21,798.

I say unfortunately because quattro transmission is something one easily becomes hooked on and may eventually feel naked without.

A friend of mine who switched from a well-loved A-reg. 90 quattro to a Saab 900 still does.

The more powerful the car, the greater are quattro transmission's benefits in easy control and safety. Obviously, all-wheel drive is seen at its best in real winter weather when a quattro keeps going in conditions no two-wheel driven car could cope with. But there is more to it than that.

Putting the engine's power on the tarmac through four tyre contact patches makes a muscular car better balanced when accelerating hard.

What I enjoyed most about the 80 2.8E quattro was being able to exploit its eager performance without fear of losing tyre grip. Overtaking in the wet was quick and confident; on fast corners it was security itself. As a bonus, it ran arrow straight on the most blustery motorway.

Not all that many of the 80s sold here will be four-wheel driven. The cost is high; a 2.0 16v quattro is £19,998 against £16,798 and the 2.8E quattro, £21,798 compared with £19,249. And automatic transmission (a £974 extra on most of the petrol engined 80s) is not available on 80 quattros.

A rather lumpy 5-speed gearshift and too much tyre roar on coarse surfaces were the only real drawbacks to my test car. A total redesign of the rear end has given the new Audi 80 a boot as generous as the old model's was meagre.

Ride and upholstery are firm, though not uncomfortably so. The interior, though sombre, stops just short of being funereal.

S M

BOOKS

From Nabokov to Tolkien, the FT critics review the most interesting of the recently published volumes of biography and memoir

Made rich by a little nymphet

David Pryce-Jones on the ironies of Nabokov's life

FREELY Brian Boyd throws words like genius and perfect at Nabokov. "In sheer beauty of form," he writes for example, "*Pale Fire* may well be the most perfect novel ever written." He equates him with Kafka and Joyce among the greatest writers of the century. That is how we Nabokovians speak. You have been warned.

This second volume of a tower-block biography begins with our hero, his wife Vera and son Dmitri, sailing in May 1940 from France to America, a step ahead of the invading Germans. The first such escape had been from Bolshevik Russia in 1919. Vera was Jewish, and the second escape was another narrow squeak.

From now on, Nabokov's art was broken-backed. His early books had been in Russian, which he used to describe as if it were some thoroughbred animal, docile to his touch. Now it could no longer race away with his imagination. He had a living to make, and in dollars. Nabokov dropped into English in the manner of an exotic bird which had never before migrated to these shores. Erudite and lexicographical as his mastery became, it never acquired the free flow of someone whose maternal tongue is English. That is part of the attraction. He honoured and expanded the language, at a time when native writers were mostly abusing and shrinking it.

Wellesley, then a woman's college, and afterwards Cornell, gave him a job teaching world literature – and this was someone who waved aside Henry James as "a pale porpoise" and thought Dostoevsky a writer of cheap thrillers. America and Americans come out of this book extremely well for the generosity and open-mindedness with which they received this unusual man. *The New Yorker* became his first literary platform, thanks largely to the appreciation of Katherine White, an editor there. *Speak, Memory*, his marvellous memoir of a Russian childhood, was published there chapter by chapter. Bemused by the material, the editors comically interfered with his prose.

His one influential contact was Edmund Wilson, a Janus-headed friend. It is a surprise to learn how little he actually did for Nabokov. When finally he attacked Nabokov's translation of *Eugene Onegin* in what was the *cause célèbre* of its day, the motive was envy, or so Boyd finds.

VLADIMIR NABOKOV, THE AMERICAN YEARS
by Brian Boyd
Chatto & Windus £25, 832 pages

Boyd is the first writer to have unrestricted access to Nabokov's papers, and he received help from Vera and Dmitri. From him can be learnt the names of the class rooms in which Nabokov taught, the hours involved; also the type of tins in which he killed the butterfly specimens which he chased with such passion in spare moments; and which motels and lodgings he stayed in, and when.

The Nabokovs were indifferent to material possessions and never owned a home, but they were closely attached to memory. Nothing, no image, no idea, no fortuitous connection, seems to have been lost or to have been too fugitive for Boyd. Trivial details rise in towering layers of prose. Think of the diligence. To the back of the class, Michael Holroyd!

Perhaps a third of 783 pages are devoted to such intimate analysis of the novels that they have to be read simultaneously. *C'est magnifique*, of course, but it is what the universities clamour for. Perhaps an up-and-coming don like Boyd could not winkle out some other way to do it, but the reader is certainly put to the test of true love for the subject. Nabokov, be it recalled, wrote a mere 150 pages on Gogol, in what is the most original and illuminating biography ever written.

Then there was *Lolita*. The novel was a long time in the writing, and Boyd gives his usual full account of it. What with denunciations of immorality and Maurice Girodias selling it as a dirty book in Paris, the explosion was bound to be high altitude. In the event, publishers and politicians behaved quite courageously in seeing the novel through. Unwittingly, the old fashioned and aristocratic Nabokov may well have done more than anyone else to usher in democratic standards of anything goes, which he actually despised. Boyd makes the good point that he became dated in his own life time, overtaken by feminists and Third Worlders, or what he called "boring ethnopsychics."

The little nymphet made a world celebrity and a rich man out of him. Unmelted if ever an immigrant had been, he jumped straight out of the American melting pot back to unregenerate old Europe. In the Palace Hotel at Montreux, he settled down to be playfully Garbo-esque, with a sub-stratum of melancholy, I suppose. No less fascinating a character was Vera, by temperament a Great Man's Wife, which is a very special category all to itself. Boyd's minute researches have not broken their privacy. One is left to admire courtesy, and imagination and curiosity about life. What ought to have been another 20th century disaster about immigration and persecution turned into a fairy story.

'Self-Portrait with Monkey and Parrot', 1942, by Frida Kahlo, the surrealist Mexican artist married to Diego Rivera, taken from a lavish book by Hayden Herrera with over 80 full colour illustrations. 'Frida Kahlo: The Paintings' (Bloomsbury £25, 255 pages)

Friend to the famous

Anthony Curtis on Sybil Colefax

"IF I dine with you, I shan't sleep; if I don't sleep, I cant write. You say this dont matter a straw. I quite agree with you. But my next year's income depends on sending a book to America in August. It aint half done, owing to dining out. So theres no more to be said."

The date is 1931. The handwriting – with its odd lack of apostrophes – is that of Virginia Woolf. The recipient? Lady Sybil Colefax.

On receiving a refusal couched in those terms, most people would be inclined to delete the writer's name from future guest-lists. Sibyl's reaction was the opposite – to send Virginia three further invitations for other dinner-parties. Eventually Virginia caved in and became a friend of hers.

A friend? Yes, but the kind of friend you make fun of behind her back to your real friends, the kind of friend you do your best to put off when she invites herself to stay with you in the country:

"Dearest Sibyl, Yes delighted *Thursday 8th* but, (1) View is ruined (2) No room for chauffeur in house (3) The smallest possible doghole for you (4) Village char is cook Let me know if you are daunted. If not, whether we shall meet a train: if so, which. Yours in haste (not hate) Virginia No clothes but nightgowns worn here."

A PASSION FOR FRIENDSHIP: SIBYL COLEFAX AND HER CIRCLE
by Kirsty McLeod
Michael Joseph £20, 180 pages

Poor Sibyl! But if her friends often were bitchy about her, biographers have been kinder, pointing to the heart of gold beneath the absurdities, to the core of loyalty in friendship, masked by Sibyl's indefatigable collector's instinct for the famous. Brian Masters had a judicious chapter on her in his book *Great Hostesses* (1982) where Sibyl emerged as positively saintly beside the likes of Mrs Ronnie Greville and Emerald Cunard. Now Kirsty McLeod has filled the portrait out more fully.

Sibyl Halsey was born in 1874, daughter of an Indian civil servant. The first great man Sibyl encountered was Lockwood Kipling, Rudyard's father. The Kipling connection remained firm after Sibyl had grown up and become a great hostess of London society. A young woman of her ambitious temperament, desirous of moving in the world of celebrities, might have been expected to marry a genius, or a perhaps a title, but Sibyl was shrewder than that. She found her fate in Arthur Colefax, a grammar school boy who became an eminent lawyer, then an MP, and was knighted for his work running the scientific side of the manufacture of munitions in the First World War.

They occupied a grand house in the King's Road, Chelsea, where Sibyl entertained almost everyone of any eminence. At the height of her career in the 1930s her regular guests included H.G. Wells, Maynard Keynes, J.L. Garvin, Oswald Mosley, Robert Bruce Lockhart, John Gielgud, Edward Lutyens, Gerald Berners, Artur Rubinstein, Roger Fry, Noel Coward, André Maurois, Alfred Beit, Desmond MacCarthy, Gertrude Lawrence, Brendan Bracken, Mrs Churchill, Alexander Korda, Lord Beaverbrook, the Duke of Buccleuch, Rebecca West, the Mountbattens, the Dufferins, the Jebbs, the Wellesleys – to list but a few of the names in Sibyl's Visitor's Book.

Sibyl's success may in part be ascribed to her persistence, to the immense trouble she took, and to her flair for invariably producing the man or woman of the moment – "Paul Valéry will be in London on Tuesday. *Do* come along and meet him" – but one gathers there was more to it than simply her ability to deliver the goods. Sibyl had great courage. She was fiercely anti-appeasement. Above all she was someone in whom you could safely confide.

When the King's mistress, Mrs Simpson, had to decide whether or not to abandon her beloved, it was to her friend Sibyl that she turned for support. The full correspondence between Sibyl and the Duchess of Windsor has not yet been published. After it was all over, Osbert Sitwell, one of Sibyl's enemies, lampooned her in his poem Rat Week. "Coalbox" was what the malicious Sitwells always called her.

At the same time Sibyl suffered serious private adversity. Her husband's increasing deafness, coupled with unwise investments in the US, led to the almost total loss of their income. Now Sibyl showed her pluck and resilience. Following the lead of other women in society like Syrie Maugham, Sibyl set herself up professionally as an interior decorator. She joined forces with the furniture-maker John Fowler to found the firm Colefax and Fowler which still exists today.

A smaller house in Westminster proved less satisfactory for her parties, but she carried on regardless. Even another world war could not stifle her compulsion to entertain. By now a widow, Sibyl made the Dorchester Hotel her wartime centre of operations; she would send each of her guests a bill to meet his share of the evening's cost. Everyone paid without a murmur. Sibyl's Ordinaries – as these parties were called – were one of the more bizarre manifestations of well-bred defiance to the rigours of the London blitz.

Sibyl survived the war, but died of cancer in 1950. Kirsty McLeod certainly convinces us in this short readable book that Sibyl deserved more than the footnote biographers usually give her.

Half unreal worlds of childhood

A WRITER'S past is a half unreal world: things that happened woven into things which might have happened, or should have happened. Its geography and climate are subtly re-arranged as the writer's recall changes with the coral-like accrual of his or her life's experience. Truth is a Protean thing at the best of times. Never more so than in the case of childhood recollected in maturity. Therefore, unless a memoir is of historical or political significance, it is best judged on purely literary merit. On this score, each of the two memoirs under review is a gem.

Little Tree, alias Forrest Carter, is half Cherokee. Orphaned at the age of five, he goes to live with his grandparents in the mountains of east Tennessee. Grandma was full-blooded Cherokee, called Red Wing. Grandpa was half Scotch, half Cherokee, and was named Wales. Grandma is the literate one, who can make out the number of the right bus, a skill, which along with reading, she imparts to Little Tree. Grandpa fetches books from the library in the nearby town, which Grandma reads out to them. So, writers, including "Mr Shakespeare", set landmarks in Little Tree's developing mind.

But his real education is in "The Way" – the Indian's perception of Man's place in Nature and its concomitant ethics.

Grandpa, who makes a living brewing whisky which he sells in town, teaches Little Tree how to hunt: only what one needs – the smaller, weaker deer, allow the better ones to grow; how to attune his senses to the moods of the mountains and the woods. How to accept death as natural passage in nature's cycle.

As a part of his growing up, Little Tree learns about the Cherokees' forced exodus from their land: "Government soldiers rode before them, on each side of them, behind them ... The Cherokee men walked and looked straight ahead and would not look down, nor at the soldiers. Their women and children followed in their footsteps and would not look at the soldiers ... Far behind them, the empty wagons rattled and rumbled and served no use. The wagons could not steal the soul of the Cherokee. The land was stolen from him, his home; but the Cherokee would not let the wagons steal his soul."

THE EDUCATION OF LITTLE TREE
by Forrest Carter
Rider £14.99, 231 pages

DRINK TO THE BIRD
by Benedict Kiely
Methuen £1.99, 180 pages

Deceptively simple, the language is in harmony with the experiences it narrates. How much of the latter is factually accurate is irrelevant, for here is poetic imagination fired by evocation, which has its own undeniable truth.

Forrest Carter grew up to become Storyteller-in-Council to the Cherokee Nations, and author of *Gone to Texas*, the basis of Clint Eastwood's classic western *The Outlaw Josey Wales*.

In *Drink to the Bird* poetic imagination allied with sheer, delectable Gaelic gift of the gab, turn what might otherwise have sounded like a fairly ordinary account of boyhood and manhood in Ireland in between the two world wars, into a literary feast.

"Sound" is an operative word here, because this book should be read aloud. Memory speaks, sings, recreates scenes and characters. Anecdotal, hilariously funny, and replete with verse, this memoir has the cadence of a discursive outpour and Joycean resonance. Moreover, you can open it at any point and happily read on without regard for sequence. In the opening page, Mr Kiely gives a hint of what is to come: "The meticulous reader may detect digressions.

"But the mind, such as it is, may surely, in this business of remembering, be allowed to meander. Even take off for a while to fly, say, to Atlanta, Georgia, or the Blue Ridge mountains, or the hoarse Trinacrian shore of Oregon. Francis Drake, who was no Ariel, got as far as that in a little wooden boat."

Here there is a huge diffusion of people, places, and events, with the narrator sitting back, as it were, pointing out the directions.

Kiely, who was raised in County Tyrone, lives in Dublin, and nearly became a priest, probably has had a happy life so far. But he is able to register poignantly Ireland's unhappy violence. His humour is generous. It is immediately evident that here is an experienced writer of outstanding accomplishment.

Elon Salmon

An accidental man

"I DON'T yet know how I'll set about things in Parliament. But clearly there's no point in going into Parliament unless you have the intention of becoming Prime Minister. Clearly this is what I must go for. I think I'll lie low for 5 years or so and get myself well in with the Party."

So wrote Patrick Gordon Walker in his diary on August 8, 1945. Gordon Walker had already been lucky and unlucky with by-elections. He was the official Labour candidate in the famous Oxford by-election in October 1938, but was forced to withdraw when the Party switched to a popular front candidate, A.D.Lindsay, the Master of Balliol. Lindsay lost to the Conservative, Quintin Hogg.

A former Oxford don, Gordon Walker spent the war working for the German service of the BBC. He did not contest the general election of July 1945, but shortly after the result was announced the Labour Member for Smethwick was killed in a car crash. Gordon Walker stood in the by-election and sailed in. In just over a year he was parliamentary private secretary to Herbert Morrison, the deputy prime minister. Within five years he was Commonwealth Secretary. So much for lying low.

GW, as he calls himself in these diaries, went on to become Foreign Secretary in Harold Wilson's first government. But there were accidents along the way, most of them to do with the Commonwealth and by-elections. He had been instrumental in devising the formula which kept India in the Commonwealth, but was perhaps best known for his unavoidable involvement in the Seretse Khama affair.

As a junior minister in the Attlee government, Gordon Walker had ruled that Seretse should not become chief of his tribe in Bechuanaland once he married a white woman. It was a horrendously difficult decision. Allowing a mixed marriage at that level could have upset the entire balance of power in southern Africa; not allowing it made Gordon Walker look illiberal and opposed to the multi-racial Commonwealth he was trying to promote.

PATRICK GORDON WALKER: POLITICAL DIARIES 1932-1971
edited by Robert Pearce
The Historians' Press £20, 335 pages

GW got the worst of both worlds. The Labour left condemned him; much of the rest of the electorate thought that he was too pro-black in his advocacy of the Commonwealth and relatively permissive attitude towards immigration. He records that he told Hugh Gaitskell as early as September 1962 that he might lose his Smethwick seat as a result. In October 1964 he duly did, just as he was being appointed Foreign Secretary.

Prime Minister Wilson kept him on and secured an apparently safe by-election for him in Leyton; Gordon Walker lost that as well, though he won the seat in the subsequent general election. That was the effective end of his political career.

His diaries are spasmodic and only occasionally illuminating, but this book contains an excellent 50 page introductory biographical sketch by Robert Pearce – a model of its kind. Gordon Walker died in 1980. As Pearce notes, that was just too early for him to have joined the Social Democratic Party. GW had already written a critical obituary of Harold Wilson for the *Daily Telegraph* in 1969.

At least one diary entry is worth cherishing to show how little Britain has changed. "*June 20, 1934:* The British Government voted in a minority of 4 govts in the International Labour Organisation against the draft convention of a 40-hour week. And in a minority of one against the amendments against night work for women."

Malcolm Rutherford

Paris through Moslem eyes

BOOKS WHICH portray the Islamic world through the eyes of a Western traveller are abundant. Books which do the reverse – looking at the West through the eyes of a Moslem, Middle Eastern visitor – unfortunately are not. So Susha Guppy's intriguing memoirs, *A Girl In Paris*, which tell of her arrival in Paris in the 1950's as an Iranian student, provide a welcome and fascinating read.

Torn from a strict Moslem home in Iran – a world vividly described in her first book, *The Blindfold Horse* – Susha Guppy arrived alone in Paris at the age of 17, speaking little French and painfully naive. The culture shock must have been daunting. As she was thrown into the world of Parisian student life, Communist politics, French theatre, and then, through a chance encounter with Jacques Prevert, into a singing career, the Paris she encountered was swirling with political, sexual and artistic freedoms.

Her accounts of these experiences remain deceptively self-effacing, written with vividness and a welcome lack of pretension. Her observations on Paris are not, in themselves, particularly novel, but it is the tales of the people she encounters, many of whom, like her, are fellow "wanderers" caught between a range of cultures, which remain most compelling. A fluent story teller, she travels through her memories as if she was flicking through a family photo album, pausing as each new character is introduced to relate their tale. We hear about the Jordanian Jamila's rejection of her society's sexual code; her communist friend Jeanette's suicide over an ill-starred love affair; the Iranian Miriam's secret drinking; her French singing teacher's attempts to build a fantasy operatic world; her encounters with Camus and Prevert.

A GIRL IN PARIS
by Shusha Guppy
Heinemann £14.99, 256 pages

It is a collection shot through with both humour and melancholy. One is left with the feeling that Susha Guppy is The One Who Got Away – escaping unscathed not only from the repressions of Iranian life but also from the West's political and moral confusions. The fact that she has managed to write of her "escape" with such humour and wisdom is a commendable achievement.

Gillian Tett

Behind the myth of Middle Earth

BILBO PEERED out from the shelter of Gandalf's cloak. He shivered at what he saw. Their eagle eyrie high among the crags of lofty Isengard gave an unrivalled view for many hundreds of miles in every direction. Middle Earth was under attack from a vast army. An army familiar in form – elves, wizards, goblins and dwarves were all to be seen – but they were somehow insubstantial, in sharp contrast to the warriors the hobbit had encountered on his travels. "There are so many of them," Bilbo sighed. "They'll sweep away everything, everything." "Fear not, little one" the wizard replied. "Nothing can destroy that which has been forged by the Master. These are mere reflections of his great creation. Only the true dream will survive, as your children and grandchildren will see in years to come."

So might the denizens of his imaginary world view the floodtide of imitations which have been a commercial consequence of the immense popular success of J.R.R. Tolkien's literary invention. Now, in the centenary year of his birth, the fantasy industry has gone into overdrive. But what little is really known of the man himself?. Two books published to mark the centenary bear the authentic Tolkien stamp, and provide fresh insight into the man behind the enduring myths of Middle Earth.

The Tolkien Family Album (HarperCollins, 90 pages, £12.99), compiled by Tolkien's daughter Priscilla and his eldest son John, witnesses that the distinguished Oxford professor of Anglo-Saxon was no dry and dusty academic but a devoted husband and loving father of four. The books which were to bring him international fame in the most unexpected quarters started life as bedtime tales for his children, who also proved his sternest critics.

His life was as rich and colourful as that of any of his Middle Earth creations. He was an eccentric yet loving father and an attentive husband, whose lifelong love affair with his wife is recorded in the epitaph on their joint gravestone: "Edith Mary Tolkien, Lúthien, 1889-1971. John Ronald Reuel Tolkien, Beren, 1892-1973." It is a reference to his own story in *The Silmarillion* of the love between Beren, a mortal man, and Lúthien, an elf maiden.

The spiritual depth of his books and their sub-text of ceaseless conflict between good and evil reflect the author's Christian faith. He was a committed Roman Catholic and his religious example perhaps played some part in the shaping of his son John's vocation to the priesthood.

The Tolkien Family Album offers a uniquely intimate and affectionate glimpse of the life from which the world-conquering fictions of Middle Earth stem. John and Priscilla Tolkien have painstakingly sifted a mass of memorabilia, family photographs and keepsakes to create a warm, refined tribute to the memory of their father. Handsomely produced, designed in the style of an Edwardian family album, the volume is striking also for the quality of its photographs.

Everyday life *chez* the Tolkiens is brought energetically to life. Many anecdotes illustrate the love which went into the writing of *The Hobbit* and its sequel, and the atmosphere in which both works grew. These insights go some way to account for the extraordinary excitement which the books still generate. The Tolkien phenomenon seems to be actually gaining in vitality as the years pass. Anyone curious about the human context and inspiration for the mythology of Middle Earth will find that *The Tolkien Family Album* provides an indispensable perspective.

Sauron Defeated (HarperCollins, 482 pages, £20) forms the ninth volume of the encyclopaedic History of Middle Earth, as drawn up from his father's papers, by Christopher Tolkien, the sternest infant critic and adult editor of the Tolkien *oeuvre*. Each of the book's three sections contains hitherto unpublished writings by J.R.R. Tolkien, scrupulously copy-edited and annotated. There is an *Epilogue* to *The Lord of the Rings* which finds Sam Gamgee answering questions from his own children about his epic adventures. *The Notion Club Papers*, forming the second part of the book, report the fictional discussions of a literary society in Oxford. Hobbitomanes everywhere will not want to be without either of these volumes. As a casual reader, the chief interest to me of *Sauron Defeated* is the light it casts on the Tolkien phenomenon.

By this I mean that Nature once produced a genial Oxford professor who had only to breathe on any particle of his remarkable imagination to have that particle live and expand until it became a complex ingredient of an autonomous "secondary world". Fifty and more years later, another man, woman or child in another country and culture takes up one of his books and is drawn so completely into that imaginative world that even the least curious student of human nature must be driven to ask: How?.

The fine content of both these additions to the Tolkien canon only amplifies that stubborn question, the answer to which may in the end prove as elusive as the *Ring* itself. Enough rationalising. *Enjoy*.

Martin Mulligan

Upheaval at the British Museum

***Patricia Morison** talks to Robert Anderson, the new Director who took up his post this week*

IT MUST be a warm feeling to stand on the steps of the British Museum and think: "All this is my domain – plus another 40 per cent." Dr Robert Anderson has been Director of the British Museum for just over a week. He inherits the world's first and greatest public collection, and with it an expansion programme which will put the Museum through the most profound upheaval of its 139 years.

Anderson, 47, spent six years previously as Director of the National Museums of Scotland. He is fortunate to have left Edinburgh when he did, given the fierce squall which blew up last August over the proposed extension to the Royal Scottish Museum. Anderson was on the panel which chose a modernist scheme, thus prompting the Prince of Wales to resign from being the museum's patron.

Before the affair of the Edinburgh carbuncle, Anderson was not a figure known outside the museum world. Among museum people, however, he is regarded as someone with common sense and considerable tact. Academically, he is something of an oddity in his new post. He is the first director of the BM to be a fellow of the Royal Society of Chemists.

Anderson's academic career began with a doctorate in physical chemistry at Oxford. The exact title of his thesis he does not recall, but it was about "the scattering of slow neutrons." And that, he decided, was as far as he wanted to go with scientific research. Instead, he went to the Royal Scottish Museum as the curator in charge of scientific instruments.

The switch from laboratory to museum was not as unexpected as it might seem because, despite an intense dislike of autobiographical revelations, the new director does admit to a childhood in which visits to museums played a major part. His chief love was the Victoria and Albert museum, which ran an imaginative children's club. He recalls that by the age of nine he would travel on his own each Saturday by bus from Finchley to South Kensington. "Art school students would take us in groups to draw objects, Tang horses and so on, and tell us about their history. It was a really imaginative experiment."

Anderson is at pains to point out that acquiring an appetite for museums was not precocious, nor even unusual, for a London child of his generation. In those days, entry to all the national museums was free: Anderson's fierce opposition to the principle of museum charges has much to do with his childhood experience.

It was also one of the factors which won him the post of BM Director. The former director, Sir David Wilson, now retired, is a Viking scholar. During his 15 years as director, he fought with a ferocity worthy of the Vikings in defence of free entry to the Museum, and its role as a major research institution. Anderson's appointment was, therefore, greeted with relief by those who can be called the conservatives within the museum fraternity, and also without much surprise. One curator described it to me as "the classic insider's appointment".

Anderson will certainly be holding the line on the importance of research. He cites with glee a recent Museums and Galleries Commission report, which warns that any national museum which fails to carry out research "would ultimately forfeit its claim to be regarded as a national museum." From the public's point of view, this is good news because it means the BM will continue its commitment to major scholarly exhibitions.

Anderson admits to feeling dismay that there were national museums which did not hold out against the pressure to go overboard in the hunt for outside sources of funding. "During the 1980s, some museums adopted the culture of more commercial attitudes and made sudden changes of direction. What happened during that period cannot now be reversed. For many non-national and independent museums, things will be very bad."

At the BM morale is said to be high. You will hear curators complaining that both they and their objects are dreadfully cramped. They also grumble about a ponderous administration. But the first problem, at least, is going to be solved. Starting next year, the British Library will move north to the dismal St Pancras site. The people at the Museum are delighted to see the back of this difficult daughter and besides, it will gain them that staggering extra 40 per cent in space.

Last year, the BM published a handsome booklet to tell us all of the costly delights in store, such as the plans to renovate the dilapidated King's Library, and to restore the Round Reading Room to its original blue-and-gold decoration and turn it into the BM's own reading room. As anyone who has been to the BM in the last decade will know, existing galleries have been renovated to an extraordinary extent, 46 of them so far. The pace has been forced by the coming internal expansion, when the Museum of Mankind will finally rejoin the BM. Changes are due to be more or less complete for the 250th anniversary in 2003.

Anderson's major problem will be finding the money for these ambitious changes, in the region of $80m. He speaks about it with considerable calmness. "I'd like to see the government being rather more flexible in providing money for exceptional circumstances. The British Library moving out just has to be called exceptional."

So far, there appears to be no sign that the Treasury will be offering the BM anything extra to pay for the expansion plan. "We will be trying very hard to raise money from outside sources. However, there just is not going to be money from sponsors for the behind-the-scenes kind of things."

There is still plenty of time for Anderson to wear out his shoe-leather in the eternal search for moneyed admirers of the BM. Meanwhile, he has some months to get to know his staff, Ginger the Mummy, and Pete Marsh, also known as Lindow Man. Nor is the new director completely severed from his scientific roots. Unknown to the public, there is in the BM "an extremely good collection of scientific instruments." We can expect to be seeing more of that in the coming years.

Dr Robert Anderson, a 'classic insider's appointment', who forsook chemistry for curating

Lydia van der Meer

Dybbuk comes to town

SHALOM ANSKI'S *A Dybbuk for Two People* is a classic of the Yiddish theatre, a marvellous, archetypal story of doomed love and demoniac possession wrapped in the rituals of the Jewish Sabbath. It has become a speciality for Bruce Myers who, created this English version for the 1980 Avignon festival and has been performing it with a succession of consorts ever since.

His latest partnership, with Corinne Jaber, a companion from Peter Brook's Paris company, touched down at the Edinburgh Festival last summer and arrives at the Hampstead Theatre rather disappointingly set in its ways.

When Myers performed it at Islington's Almeida Theatre with Josianne Stoleru in 1986, the emphasis fell much more heavily on the thumping good yarn of a young girl possessed by the spirit of her dead lover. In this incarnation, the horror has receded, giving pride of place to the sacramental formality with which the story is framed. The Sabbath rituals are painstakingly observed by an actor who seems to have become increasingly rabbinical beneath a shock of grey hair which gives him the look of a slightly batty Old Testament prophet.

It is as if Myers has become so immersed in the protocol of the piece that the balance between narrative and ritual has been distorted. So we have a lengthy preamble of domestic propriety and theological debate, the intricacies of which are lost on anyone unfamiliar with the doctrines of the Talmud and the Cabala.

The theatrical meat of the piece – the haunting of a bride on her wedding day and a failed attempt at exorcism – is relegated to the status almost of a sub-plot. Jaber has a creepy ability to show the whites of her eyes and walk like a marionette controlled by a drunken puppeteer; Myers is at his best when he drops his earnestness to impersonate a queue of wedding revellers or deliver a rambling nuptial speech.

Part of the problem is that the show does not seem to have found a rapport with the difficult space of Hampstead Theatre, which allows for no dimension beyond the small, drab square of family dining-room. Though comparisons are odious, I cannot help remembering how the lofty brick arc of the Almeida created a sense of the great beyond, into which ordinary people venture at their peril. Here, the struggle of the bride and her grandmother to the cemetery, where dead and living lovers are reunited, is merely a journey a across dining-chairs. It remains a terrific story, but with too much back and not enough beyond.

Claire Armitstead

New Year in the City of Music

***Andrew Clements** reports on the start of Birmingham's year long festival*

FOR 1992 Birmingham has been designated Britain's City of Music, the guinea-pig in the Arts Council's "Arts 2000" project that intends to spotlight a different region and a different art form each year until the millennium. The accolade is being celebrated with "Sounds like Birmingham", a year-long festival designed to range across the spectrum from local community-based performances to the most glamorous international visitors.

With the opening of Symphony Hall last spring and the continued prosperity of the City of Birmingham Symphony Orchestra Birmingham had already placed itself at the very centre of our concert life. The new year promises to show just how the musical profile is to be rounded out, so that the goodies are not confined to the juiciest programmes from Simon Rattle and the CBSO but can offer a truly varied diet of events and, one hopes, set the pattern for years to come. Certainly the omens look promising: in the first ten days of January, while London music is still struggling to rouse itself from its seasonal torpor, Symphony Hall has already staged a Rakhmaninov Festival with Alexander Lazarev and the Bolshoy Symphony Orchestra and an account of Schubert's *Winterreise* by Peter Schreier of memorable penetration and intensity.

Russian orchestras are a very visible part of the hall's roster – the Moscow State Orchestra visits next month, while the return of the St. Petersburg Philharmonic is promised for a complete cycle of Tchaikovsky symphonies in the autumn. The Bolshoy may not on the level of either of those orchestras but its performances of Rakhmaninov, had spirit and, for good or bad, lashings of local colour. The symphonies were coupled with three of the concertos, played by an impressive trio of young soloists – Dmitry Alexeyev played the Paganini Rhapsody, Mikhail Rudy the Second Concerto and Nikolay Demidenko the Third.

I caught the second programme, in which Rudy gave an admirably fluent performance, technically faultless yet surprisingly bland: there were few idiosyncracies, and few fresh ideas; even a Chopin Nocturne offered as an encore failed to reveal the expressive personality of this fascinatingly gifted performer. Lazarev accompanied efficiently enough and his account of the Second Symphony was similarly uncontroversial, if sometimes a little too obviously excitable. The Bolshoy has the well-drilled, solid string sound one has always associated with Russian orchestras and which the St Petersburg orchestra delivers most thrillingly of all; less appealingly it has vibrato-laden wind tone. Thin, watery horns may be an acquired taste, but wavering clarinet intonation is nothing but a positive liability in the slow movement of Rakhmanonov's Second. In such circumstances one was grateful for Lazarev's shortcuts through its longueurs. Yet the performance was rapturously received, and the concerts attracted evidently large, enthusiastic audiences.

Schreier's recital on Thursday was less crowded, though all but the upper galleries were full, and the hall managed to convey every detail of his beautifully focussed sound and minutely studied performance with effortless clarity. The bloom is starting to fade from his tone nowadays, and there are indications that artfulness is replacing artlessness in what used to be one of the most purely sung contemporary accounts of *Winterreise*.

He seems no longer willing to trust to purity of line and intonation alone to make his points. Syllables are occasionally stressed to the point of pushing them out of tune, while abrupt switches of vocal characterisation and colour are reminders that this tenor is one of the finest Loges and Mimes of our day. It holds together still because of the intelligence and absolute security informing his performances; throughout the 24 songs Schreier takes his listeners into a poetic world from which he never allows them to escape. He was wonderfully supported here by Graham Johnson, tactful and responsive by turn; it was in every respect an utterly compelling event.

Records

A rush of Salomes

SUDDENLY we have three new recordings of Richard Strauss's *Salome*. Even in the days of LPs, Ljuba Welitsch's searing account of (just) the final monologue outdid anything to be heard in a "complete" version, and there was rarely more than one of those to be found on record in any year. Among the ones that came and went, the incisive Nilsson/Solti performance (revived on Decca CDs) held its ground – too unremitting and ferocious to brook any argument, but just for that reason not exactly definitive. Neither is any of the new versions; but "definitiveness" is a will-o'-the-wisp virtue, whereas each of these performances has specific virtues of its own.

On Sony, *Zubin Mehta's* boasts sensible tempi, canny expertise in bringing out orchestral details (especially the exquisite silvery filigree that Strauss often sets around the effusions of Salome and Herod), and a staunch cast which includes Brigitte Fassbaender's scathing Herodias and Keith Lewis's faultlessly ardent Narraboth. On the other hand, the carefully realised detail seems to come in separate panels, at severe cost to the cumulative, "symphonic" impetus of the score.

This one-act piece was after all not only Strauss's first operatic triumph, but in a way the culmination of his ideal "symphonic poem", on a straight track from *Don Juan* and *Till Eulenspiegel* through *Ein Heldenleben*. If *Salome* sounds like a string of colourful episodes, it is wrong. On DG, Giuseppe Sinopoli achieves a hypnotic continuity of feeling – personal and wilful, supersilken (though he finds Bergian raptures in all the string-writing, he plays down Strauss's dry grotesqueries and savage punctuations), and yet steadily forward-looking. One's attention is held taut, even if the symphonic muscle of the score is under-exercised.

One of Sinopoli's best assets here is the Deutsche Oper orchestra, which may not compete with the Berlin Philharmonic in virtuosity but is deeply familiar with the score. By comparison with Mehta's stolid reading, the DG performance is fully theatrical, eerie and insinuating. And if Sinopoli's Narraboth, and his efficiently nasty Herod and Herodias, do not quite equal their opposite numbers on Sony, he holds trump cards in Cheryl Studer's heroine and Bryn Terfel's Jokanaan.

Notoriously, Strauss wanted "a 16-year-old princess with the voice of an Isolde" – to which his mature first Salome retorted that that was an either/or. On the kindest diagnosis, Mehta's Eva Marton sounds like a heavy Isolde, embarrassing to hear after Miss Studer's brilliant, teasing lightness in repartee and her haunted anxiety later. I doubt that there is a Salome to match Studer now. For the Prophet, Mehta has Bernd Weikl, sympathetic and mellifluous but hardly more likely to excite Salome's lust than José Van Dam's weighty senior cleric in the Nagano performance on Virgin Classics; Terfel's splendid young baritone, passionately committed, is unbeatable.

The special interest of Kent Nagano's recording is that it is the first to use

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Richard Strauss: *Salome* (in German). Marton, Zednik, Weikl, Fassbaender, Keith Lewis, Mehta/Berlin Philharmonic. Sony S2K 46717 (two CDs)

Salome (in German). Studer, Hiestermann, Terfel, Rysanek, Bieber, Sinopoli/Orchester der Deutschen Oper Berlin. DG 431 810-2 (two CDs)

Salomé (in French). Huffstodt, Dupouy, Van Dam, Jossoud, Viala, Nagano/Orchestre de l'Opéra de Lyon. Virgin Classics VCD 7 91477-2 (two CDs)

Johann Strauss II: *Die Fledermaus*. Te Kanawa, Gruberova, Brendel, Bär, Fassbaender, Leech, Krause, Previn/Vienna Philharmonic and State Opera Chorus. Philips 432 157-2 (two CDs)

Oscar Wilde's own, idiosyncratic French text, for which Strauss himself adapted his score (with guidance from Romain Rolland). It works rather well, though there are passages where music designed for strenuous German diction is awkwardly slow for French, and Nagano's cast is good enough to make it effective: a nervy young princess from Karen Huffstodt, an unusually sane, worried Herod by Jean Dupouy (not the hysterical character-tenor we most often get), an imposing First Nazarene from Jules Bastin.

If the Lyon orchestra doesn't sound perfectly idiomatic in Strauss's music – more *bon goût* here than is strictly appropriate – Nagano secures a creditably intelligent, alert performance. He does particular justice to the high orchestral writing which gives *Salome* its neurotic glitter, where Sinopoli prefers to emphasise the dark undertow at the bottom of the band. It must be admitted that the French recording is not up to Austro-German standards: the voices are kept so far forward that they sometimes cover instrumental details as they never would in the opera-house.

Die Fledermaus, by that other Strauss (no relation), enjoys an all-star performance under André Previn on Philips. Dame Kiri's Rosalinde rises beautifully to the Csárdás, and in Adele's coloratura Edita Gruberova is as fearless and fetching as you would expect. The baritone Eisenstein (Wolfgang Brendel) and Falke (Olaf Bär) are all right, not remarkable; Richard Leech and Fassbaender are more dashing as the indefatigable tenor Alfred and the louche Prince Orlofsky. Tom Krause is a ripe, winning Frank, and the opera-producer Otto Schenk makes a rich character of the gaoler Frosch.

Previn knows well enough how this music should go, and there is a decent degree of verve, if few witty finesses. The Vienna chorus is first-rate (sumptuous and funny in "Duidu"). We are spared any trendy interpolations, and the text is not manhandled, though bits of English are planted in it to excuse Dame Kiri's not-quite-native accent. In fact the spoken dialogue rattles along admirably; after the first time round, nevertheless, most listeners will be pressing the CD button after each musical number to get on to the next one. It might be easier to wait for the "highlights" record.

David Murray

'Così' revived

THE LATEST Royal Opera *Così fan tutte* – first shown three years ago, revived for the first time on Thursday – is a curious and (to my taste) unpleasing combination of knockabout and sour-tasting pessimism about human nature. The action begins with a super elaborately falling down drunk, twice, and ends with the lovers resolutely unreconciled: no purist nonsense about taking seriously the words of the opera's very last line.

In between, there is much skittishness and tomfoolery, carried out in a horribly ugly box-set, biscuit-coloured when not Stygian black, which only becomes bearable in Act 2, when an exotic coloured tent descends to ameliorate the worst of the decor's eye-straining and voice-dissipating properties. The producer, Johannes Schaaf, seems to have conceived of the opera as a dry philosophical proposition argued out in theatrically semi-abstract terms; the indoor and outdoor physical charms of the music are slighted, and the overall gain seems little more than a slick late-20th-century knowingness about human relations which amounts, in the end, to a failure of emotional understanding.

It is, however, an intelligent, consistent production – however much I dislike Schaaf's work, I have to admit that he sticks to his guns. And there can be no question that the 1992 realisation of this Così proves infinitely preferable to the 1989 original. It is sung and acted with no less fluency and infinitely more dramatic responsiveness; the conductor, Carlo Rizzi, though as yet insufficiently ready to acknowledge the bubbling good humour – laughter, even – in Mozart's scoring, times the dramatic unfolding with whip-cracking alertness and an Italianate fizz that maintains unbroken momentum throughout Act 2: a notable achievement.

Diana Montague and Kurt Streit in the current Covent Garden production

Alastair Muir

The most startling improvement comes with the Fiordiligi, Margaret Marshall. Three years ago she showed us a miniaturised character, full of wispy-voiced "melting" mannerisms; on Thursday she seemed a singer transformed, boldly on the verbal and vocal attack, confident and commanding. The basic seriousness of the dominant elder sister and the suggestibility of the flighty younger (Diana Montague, first-rate after a cloudy start) are beautifully intertwined. The no less plausible matching of the male pair – Kurt Streit (Glyndebourne's Ferrando in his house debut), tall, romantic, the most seductive and stylish of today's Mozart tenors, and William Shimell (Guglielmo), dark, volatile, his baritone much less stentorian and more mellifluous than usual – lends the opera a variousness of character and personality that comes near to balancing Schaaf's fidgety notions.

This time Anne Howells's glorious mature-woman Despina, a perfect gem of golden wit, elegance and fine timing, is partnered with the Alfonso of Stafford Dean. Bald-pated, a clubbable English gentleman in frock-coat and top hat, he gives a subtle, many-layered account of the role, vigorously sung – the surface all unruffled, smiling good manners, the core hard and unbending. It is, in sum, an exceptionally well-assorted *Così* sextet; in this particular production, the many compensatory pleasures it provides are received with special gratitude.

Max Loppert

ARTS

Guaranteed a Good Death

***Patricia Morison** finds the Grim Reaper treated with respect*

THESE DAYS we are pretty hot on the subject of the Good Birth, whereas the subject of the Good Death is guaranteed to cast a pall over the dinner-table. Ante-natal classes and retirement courses are an expected part of the learning curve of your average late-20th-century individual. But as for the death business, the potential market has yet to be tapped. Universities have been slow to diversify into Pre-Mortem courses and *Weekend FT*'s plans for a new column called "Memento Mori" have found little favour with the advertisers.

Our ancestors, it is well known, took a robust view of death. *The Art of Death* at the Victoria & Albert Museum (until March 22: 071-938-8500) examines how, from 1500 to 1800, our Protestant forefathers treated the Grim Reaper. A varied range of objects such as prints and paintings, jewellery, mourning apparel, death-masks, and coffin-furniture, shows how up front they were about death in the England of Shakespeare and Dr Johnson.

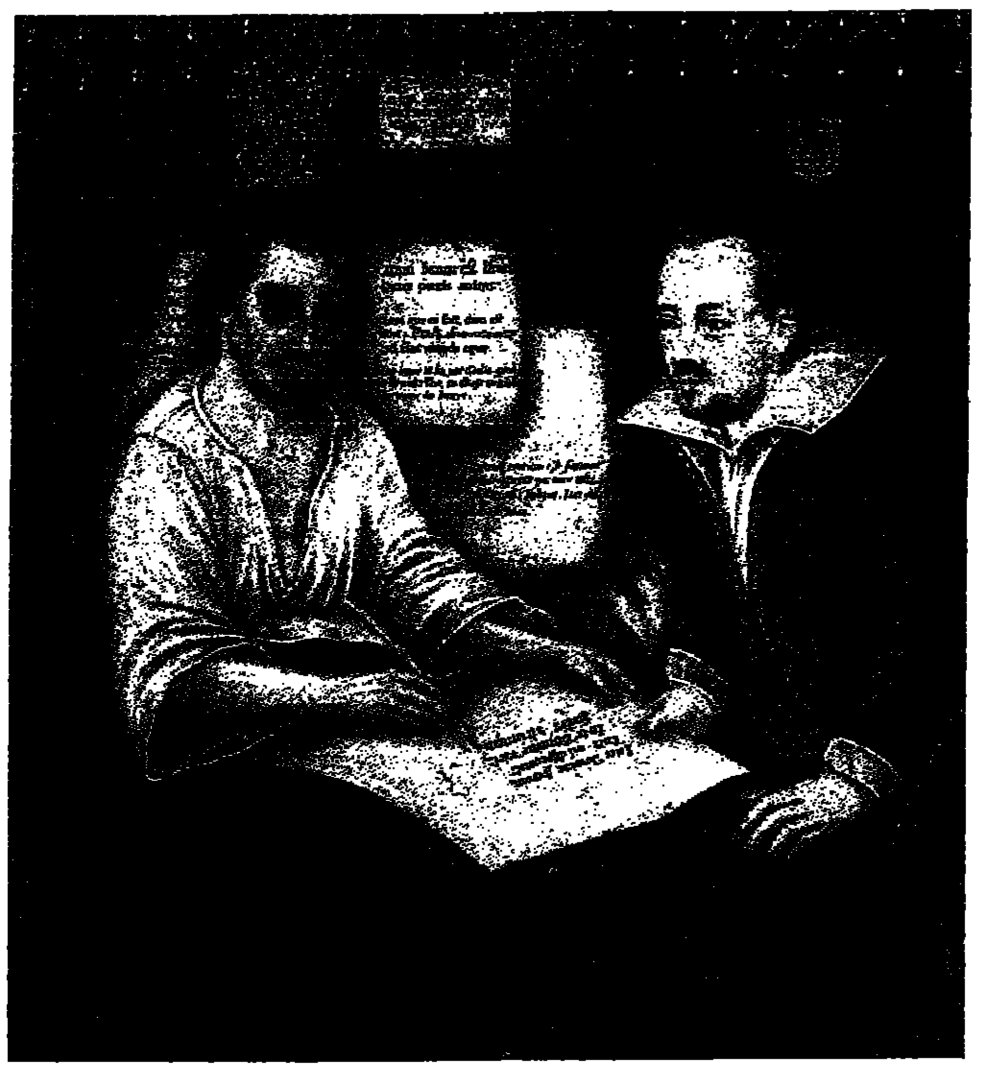
One of the great virtues of this exhibition is that it constantly invites us to contrast then and now. Imagine your feelings on finding your seven year-old daughter stitching this verse in her sewing-lesson:

"The righteous fear
not at their death
but calmly yield
their latest breath."

To us it seems morbid in the extreme, but the little girl who stitched this sampler in 1710 might have found it perfectly natural to reflect on the Good Deaths she would probably already have witnessed in her young life. Was death less frightening to William Evans, who had his funeral effigy carved at the same time as his late wife's, and put where he could see it in his church?

This is an exhibition crammed with objects which tend to be curious rather than beautiful. However, Van Dyck's haunting portrait of Lady Venetia Digby on her deathbed in 1633 should not be missed – although if you do, it hangs normally in the Dulwich Picture Gallery. Before matrimony Venetia had been something of a good-time girl, and her sudden death left Sir Kenelm, her spouse, devastated: he became a scholar-hermit. In pre-Reformation England, he would have had the comfort of paying for masses to be said for Venetia's soul. But death was now a chillier affair: all the more important, if you had the money, to have artists, sculptors, and craftsmen, to memorialise the departed.

My favourite thing in the whole exhibition is an astonishing 17th-century posthumous portrait from Abbots Ann Hall in Kendal, called "Sir Thomas Braithwaite of Ambleside". It could usefully hang in every solicitor's office in the land. The anonymous early 17th-century artist has painted a memorable image of the Good Death of one "of gentry stock". Poor Thomas was only in his thirties when he died, and we see him hollow-eyed in his nightshirt, leaning against pillows covered in pious texts in English, Latin, and French – to show he had been no bumpkin.



'Thomas Braithwaite of Ambleside Making His Will' by an anonymous early 17th-century artist in The Art of Death exhibition at the Victoria and Albert Museum

The point of the picture was also to commend Thomas as one who had made the proper move in the face of Death: he had made his Will. No one seems to know who the gentleman is shown proferring the document, but it would be nice to think it was the chief beneficiary.

There are many quaint and poignant things in this exhibition. I was much taken by the virgin's paper crown from Hampshire, where it hangs in a church full of these memorials to girls who kept their chastity. Theatre-lovers should look out for the mezzotint of Garrick's deathmask, looking amazingly vigorous, and the invitation to his funeral which shows a weeping willow, a weeping lady, and the legend "Ireland. Undertaker" inscribed on a pyramid.

Apparently so many fashionable people attended the great actor's funeral that the carriages jammed all the way from the Strand to Westminster Abbey. This information comes from what ought to be a catalogue, but does not really fit the bill: Nigel Llewellyn's book, *The Art of Death (Reaktion Books, $9.95: 160pp.)* As I said in my *FT* review last year, this is a good book, clever and informative. At that time it was something of a posthumous child because the exhibition, of which Llewellyn is the curator, had been postponed; it had been billed to open during the Gulf War, but the museum's trustees decided that was a bad moment to confront the public with coffins and death's heads.

Unfortunately, the months since publication did not prompt Llewellyn to think again about how to make his thesis the skeleton of the exhibition. The text which goes with the show is therefore perfectly dire, with Llewellyn's interesting ideas squashed into horrid pellets of academic-speak which spatter the exhibition.

Try this: "Commemorative art confirmed the image of the 'social body', in itself unstable and prone to disappear from the collective memory." I imagine a translation might be, "people commissioned works of art to help them remember the dead." You might think the point of funeral ritual is easy enough to grasp. But evidently not: "The burial service was conducted according to a rigid code *in an attempt to preserve the social structure undermined by the loss of a member of the community*." So what happened if someone giggled, or the vicar lost his place in the service-book? Did the fragile social structure really start to totter like a badly-built catafalque?

For years I have wanted to see a good death show. Sadly, I find *The Art of Death* rather dreary, too limited in scope and squeezed by its scholarly corset. For all that, it is an interesting show: and someone, one day, will give this richest of subjects a really good outing.

Audiences keep faith

*Box office takings for 1991 are on target, says **Antony Thorncroft***

IT MUST have been like a rugby scrum on London's South Bank arts complex last week end. All nine performances at the three auditoria at the National Theatre were 100 per cent sold out and on Sunday the Hayward Gallery had its highest attendance ever with over 3,800 people shuffling in front of the canvases of Toulouse-Lautrec to ensure that box office revenue for the show topped the £1m mark.

In the Royal Festival Hall *The Nutcracker* provided its annual Christmas treat for children, and the finances of the English National Ballet, with 97 per cent capacity for the evening performance and 95 per cent at the matinée, ringing up another £1m jackpot.

So much for talk of the recession hitting the arts. Of course this was a special week-end and advance bookings in January are ominously blank for many companies. But against most economic logic the audience for plays and music, opera and dance, has kept the faith. There is no boom but box office takings are, in most cases, on target. Indeed they are considerably higher than during last year's disastrous Gulf War-torn spring, and the lack-lustre, tourist scarce, summer.

This is especially true of the theatre. When the Society of West End Theatres finally produces its 1991 figures they are likely to reveal a decline in audience of around 5 per cent on the record 1990 when 11.3m people took in a West End show. At the end of August attendances had been 7 per cent down on the previous year. By late October they were 6 per cent lower and there are signs that the year ended fairly strongly, delivering an audience just about on a level with 1989.

In fact the West End is in a strange state of suspended animation, a trough of comparative well being. On average last year 40 West End theatres were open for business and ten were dark, identical figures to 1990. During 1991, 193 productions raised their curtains for the first time as against 187 in 1990. There were 32 productions of classic plays and revivals as against 31 in 1989 and there were seven new musicals, again no change on the previous year.

The only sign of caution was a fall in the gamble on new plays, down from 30 to 21. The obverse was the safety first revival of past musical hits, which doubled to ten. One extraordinary fact, which social commentators might like to chew on, is that for the second successive year no thriller appeared in the West End. This is a genre kidnapped by television.

The post-Christmas torpor always kills off a few productions and this year *Noel and Gertie*, *It's Ralph*, and Alan Ayckbourn's *The Revenger's Comedy* made premature excuses and left but there are 14 hopefuls waiting in the wings. Although impressario Duncan Weldon has made a well argued case for the death of West End theatre, with too many expensive products chasing too few cautious customers (and there are omens of the Broadway scenario of a few big hits, mainly musicals, making money while the majority of productions are certain loss makers), the London theatre is currently alive if not positively thriving.

This is also true of the subsidised sector, especially the Royal National Theatre. In the last three months it has made up the money it lost in the summer when *The White Devil* and *The Miser* proved commercially disappointing. *Wind in the Willows* did capacity business last month and Alan Bennett's other contribution, *George III*, played to 99 per cent audiences. The gamble on reviving Edward Bond's *The Sea* has paid off after a slow start and it was 92 per cent sold last month. The RNT is set to score a satisfactory 80 per cent capacity on its season.

In contrast the RSC had problems in the autumn, notably at its main house in Stratford where *Julius Caesar* was scuppered by the critics, but a string of hits at The Swan and the Other Place produced Stratford attendances of 78 per cent to set against the 70 per cent in London, where the Shakespeare transfers and Wilde's *A Woman of No Importance* did well but David Edgar's *Dr Jekyll and Mr Hyde* did not deliver the hoped for Christmas box at the Barbican. Even so overall RSC autumn attendances of 75 per cent are on target.

It is also better than expected in the concert halls. The core audience – middle aged and middle class – is protected from the worst economic stresses, and October at the Festival Hall produced the third best attendance figures for the month in the past 11 years. There is evidence of horns being pulled in at the restaurants and bars, and independent impressarios are taking fewer risks, but the South Bank is far from panicking.

It is a similar picture at the Barbican where box office income is marginally down. The LSO audiences have recovered after a summer blip but customer retrenchment was apparent when the annual Christmas performance of *Messiah* dropped 10 per cent of its usual capacity. The Barbican, too, is suffering from the cut backs by impressarios and has unexpected dark nights in February.

Opera, with the costliest seat prices, is most vulnerable to an economic downturn. The English National Opera is presenting a safer repertoire after the gamble of its 1990-91 season, which was completely devoted to operas written in the 20th century, and it must be glad of its caution. *Don Giovanni* and *Figaro's Wedding* have done the business, although *Die Fledermaus* has fallen below target, thanks to sniffy reviews for a fun evening. Forward bookings are not great but so far this season the ENO is achieving 70 per cent audiences and is on target to break even.

Audiences, at just over 80 per cent on the year, are higher at the Royal Opera House but below the levels needed by director general Jeremy Isaacs to keep Covent Garden in the black. Last season he notched up 90 per cent plus for both opera and ballet, and planned for the same response. Once again *Figaro* is packing them in but Mozart's youthful masterpiece *Mithridate* has not turned good reviews into full houses.

Covent Garden took no risks in providing impressario Raymond Gubbay with his production of *Turandot* which on Wednesday ended its run at Wembley Arena. The Opera House received a guaranteed fee and the chance of extra revenue if the show proved a commercial smash. In the event it epitomised the current financial state of the arts – satisfactory but not brilliant. Around 80,000 seats were open to offers, and over £2m committed on the venture. Good reviews proved the salvation and although a sold capacity of 70 per cent will not deliver a profit it should provide the lift off to take the production to lucrative dates in Australia, Japan, and around the world.

Black theatre shapes up

***Claire Armitstead** discusses the problems facing ethnic drama companies*

THE RISING star of Britain's black theatre community comes to rest next month on the expensively refurbished Cochrane Theatre in Central London when its new occupant, Talawa, opens a show there for the first time. By then, another black company, Temba, will have set off on the first tour of its 20th anniversary year devoid of the grant that has kept it going up to now. Talawa is the current apple of the Arts Council's eye, while Temba is out of favour, losing its funding to a couple of younger, smaller companies.

The Arts Council's decision would seem to signal a generational change in a sector still largely dominated by the people who set it up 20 years ago. The growing acceptance of multiracial casting, and the eagerness of traditionally "white" theatres to seek out new black work, has thrown the black theatre community back on its haunches. It has responded, not by seeking out and nurturing new black British writing talent, but by looking increasingly towards a nebulous repertory of "world" classics.

Temba's latest production, *A Killing Passion*, which opened this week at the Lyric Studio, Hammersmith, is an Asian adaptation of a German story (Thomas Mann's *The Transposed Heads)* performed by an afro-Caribbean cast. The same sort of synthesis has been in evidence at the South Bank, where the repertory of the Cottesloe could be read as a stock-taking exercise. After *The Coup*, which teamed up the West Indian veterans Mustapha Matura and Norman Beaton in a political fantasy based on Trinidad's history, came Jatinder Verma's production of the Sanscrit classic *The Little Clay Cart* and Yvonne Brewster's transportation of Lorca's *Blood Wedding* to pre-revolutionary Cuba – both with mixed race casts.

As a snapshot of current fortunes within the black sector, the impression left is revealing. Matura, who wrote *The Coup*, and Beaton, who starred in it, are its elder statesmen, consistently successful. Beaton worked for the National first in *Measure for Measure* 11 years ago; Matura, who co-founded the Black Theatre Co-Operative in the late 1970s, was writing for the Royal Court as long ago as 1971.

Verma and Brewster arrive on very different trajectories, as pillars of their own establishments. Verma's South London-based Tara Arts, one of only a couple of Asian companies in the country, whose funding was cut off by Wandsworth Council this year, but has had its fortunes shored up by the Arts Council. It cannot afford to use its own theatre any more, but has a healthy touring life and is about to embark on its first co-production with the Theatre Royal, Stratford East.

Brewster's Talawa is the rising star of the day. Its opening at the Cochrane after the completion of a £350,000 facelift, is a resounding vote of confidence by the Arts Council. Fortune, however, is a fickle thing and especially when it comes to funding. The grand launch of the Cochrane in December was observed with ironic grimaces by two directors who have lost out in the last funding year: Temba's artistic director Alby James, who has put together a scaled down year's programme thanks to backing from British Telecom; and Anton Phillips, whose Carib Theatre Company was reponsible for a splendid revival of James Baldwin's gospel musical *The Amen Corner*, but went down last year after the withdrawal of its funding from Brent Council.

Alastair Muir

Catherine Coffey in Temba's 'The Killing Passion', which has just opened at the Lyric, Hammersmith

While knocking Temba off its books, the Arts Council has held out the arm of revenue funding to the promising Black Mime Theatre, which appears at the Young Vic next week, and the Rastafarian ensemble Double Edge. Black Theatre Co-op is also giving itself a timely shake-up in anticipation of its next application for Arts Council funding. It is currently looking for a new artistic director to steer it into the 1990s – though when Temba advertised for a new director in the summer when Alby James briefly resigned, no-one could be found to replace him.

Temba has developed a somewhat meandering policy and although still capable of producing good work, it has neither the radical sharpness of Double Edge, nor the consistently canny eye for vote-winners that Talawa has demonstrated. While keeping itself staunchly Afro-Caribbean, Talawa has veered fashionably towards adaptations of world classics. Its first Cochrane season opens with well-judged conservatism, with a rediscovered piece, *The Road*, from the Nigerian Nobel prize-winner Wole Soyinka.

The installation of Talawa in the Cochrane has inevitably raised hackles in a community which, at the start of the 1980s, was looking to a multi-million pound national theatre of black arts at the Roundhouse in North London's Chalk Farm. The repercussions of that fiasco in which millions of municipal pounds were poured down the drains of a magnificent engine shed, are still being felt four years after the project finally failed. It has cast doubt on the competence of the black theatre community, many of whose leading lights felt from the start that the Roundhouse project was setting off along the wrong lines, in the wrong hands, on the wrong side of town.

The basic trouble, according to a longtime observer of black theatre, is the sector is still so small that if one company goes under, the whole establishment is rocked. New writing is particularly risky and therefore particularly badly affected by insecurity. A generation of actors and directors are moving on to television and film.

It took a couple of Americans, Charles Augins and Clarke Peters, to put together *Five Guys Named Moe*, the West End stayer which began its winning streak at Stratford East. Philip Hedley, the theatre's white director, is philosophical. "What has happened is that there has been a breakthrough in acting talent, followed by some writers and directors. They are just beginning to bang their head against a ceiling because as yet they don't have any producers."

Radio

Drama from the past

SINCE Monday, changes in Radio 2 must seem to listeners as appalling as the changes in Radio 4 last year. I usually think of Radio 2 as the one you hear but needn't listen to, unless you have asked for a dedicated record. Now Brian Hayes, noted elsewhere for his abruptness with callers, takes over the 6.30 slot, *Good Morning, UK!*, from Ken Bruce, who moves to 9.30 for a two-hour stint including *Pick of the Hits*.

Jimmy Young starts later, at 11.30, but goes on longer, until two o'clock. A fresh, if by no means unfamiliar, name enters the afternoon at 3.30, Ed Stewart, with "the most popular easy music", selected by Gallup. And Derek Jameson now winds up the day from 10.30 to midnight, no longer on his own but with his wife, Ellen Jameson. His programme will carry all sorts of assorted goodies, brain-teasers, phone-ins and so on, but I'd rather reserve judgment for a while.

On Sunday, Radio 3 (of which jokers say Derek Jameson would like to be Controller) repeated its 1980 recording of Virginia Woolf's *Between the Acts*, as adapted by Liane Aukin. This is set in the grounds of a country house in the war-threatened summer of 1939. After little evident consultation with the Olivers, who live there, a pageant is produced for charity, its theme the sweep of English history. But this is so presented by the producer, Miss La Trobe, as to reflect to the audience their real nature. The action alternates what is played on the stage with the conduct of the Olivers and their guests. The stage comes out better.

Starting with a child representing England, we have parodies of Chaucer, Elizabethan drama, a Restoration comedy, a Victorian piece like T.W. Robertson, and so on. As Miss La Trobe (Sarah Badel) believes us all to be "orts, scraps, fragments", the reflection is not kind. On the other hand, it is not unkind enough to anger the upper-middle-class audience. "Do you get her meaning?" they ask, which may explain La Trobe's conclusion that the result was "nothing, a failure". The production, under David Spenser, depended for effect on the playing of the characters, acute but not always quite free of cliché. It sent me to the library to determine whether this was due to Woolf or to Aukin. The book wasn't available.

A Matter of Sex (Radio 4, Thursday) was drama of a different kind. Abigail, played as an old woman by octogenarian Patricia Hayes, as a young woman by Diane Bull, married James, a handsome young man who spent one night with her so modestly (and so deceptively played by Anna Savva) that she never realised he was actually a girl. They remained long married, though he spent much time away from her, and in the end admitted his real sex. When he died in hospital after an accident, the truth had to come out.

The tale was largely told through Abigail's affidavit admitting that she had long known the truth – a process she was driven to by the scandal. Author Nick Stafford takes this public dislike for granted, though it is said that Queen Victoria could not believe that there could be love between women, which is why the anti-homosexual laws applied only to men. There is much old cockney slang (the marriage was in 1807), and some mock-poetic prose and comic names – Jimmy Giblet, Tommy Twattle, Colly Mutton – that detract from the belief we have in the story, leaving it a somewhat empty anecdote irrelevant to current thoughts. Claire Grove directed.

This week's File on 4 on Tuesday was subtitled *Hot Pursuit*. It examined how far the code of practice laid down for police drivers in 1989 is adhered to, and how much legal or disciplinary action is taken in cases of breach. Three individual cases were examined, and in each of them the drivers appeared not to be taking the orders of their controllers as they should.

The examination of such specific cases is likely to lead to wholesale decisions against the drivers; but with reckless driving by the public so increasingly common, it is hard to expect the police drivers always to give in to their controllers, however strict the code of practice.

B.A. Young

Chess No 905:
1 R3g4 Kd4 2 Re5 Kc4 3 f5. If 1...Kf3 2 f5 Kf2 3 Rf4.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Crystal Tipps and Alistair. 7.35 Wiz Bang. 7.45 The Jetsons. 8.05 Eggs 'n' Baker. 8.35 Thundercats. 9.00 Going Live!

12.12 **Weather.**
12.15 **Grandstand** with Steve Rider including 12.20 Cricket/Football: The First One-Day International from Auckland, and a review of the FA Cup Third Round. 12.45 Racing from Ascot: The Philip Cornes Novices' Hurdle. 1.00 News. 1.05 Cricket from Auckland: The First One-Day International between England and New Zealand. 1.20 Racing: The Grosvenor Insurance Chase. 1.35 Table Tennis: The English Open from the National Indoor Arena, Birmingham. 1.55 Racing: The Victor Chandler Handicap Chase from Ascot, and the 2.15 Ladbroke Handicap Hurdle from Leopardstown. 2.25 Table Tennis: Further coverage. 2.55 Rugby League: The Regal Trophy Final from Central Park, Wigan. 3.45 Football Half-times. 4.35 Final Score. Times may vary.
5.05 **News.**
5.15 **Regional News and Sport.**
5.20 **One to Win.**
5.50 **Noel's House Party.** Don Henderson from The Paradise Club is Noel Edmonds's special party guest.
6.40 **Big Break.** New series. Jim Davidson with Jimmy White, Cliff Thorburn and Warren King who compete in this snooker-based general knowledge quiz.
7.10 **The Paul Daniels Magic Show.**
7.55 **Moon and Son.** When a serial murderer strikes in Kent, the key to his gruesome activities appears to be astrological. Starring Millicent Martin and John Michie, with a guest appearance by Anthony Valentine.
8.50 **News and Sport; Weather.**
9.10 **That's Life!**
9.50 **Midnight Caller.** New series. After a beautiful girl wins a date with Jack at a charity auction, her ex-classmates begin to die in suspicious circumstances. Starring Gary Cole.
10.40 **Film: Marathon Man.** The younger brother of an American agent finds himself mixed up in a deadly and violent plot to retrieve stolen diamonds. Thriller starring Dustin Hoffman and Laurence Olivier (1976).
12.40 **Weather.**
12.45 **Close.**

BBC2

8.45 Open University. 11.05 I'd Like to Teach the World to Sing. 11.45 Film: The Shooting starring Jack Nicholson and Millie Perkins. 1.00 pm Heirs and Graces.

1.30 **Network East.**
2.00 **Mahabharat.** (English subtitles).
2.40 **Film: Henry V.** Sir Laurence Olivier's acclaimed film version of Shakespeare's play, which includes colourful battle scenes as the King of England defends his honour against the French. Olivier stars, with Robert Newton, Renee Asherson and Leslie Banks (1945).
4.55 **World Darts Championships.** The final.
6.20 **Crufts 92.** Angela Rippon and Peter Purves present live coverage of the famous dog show from the Birmingham NEC. The first three groups to be judged are toys, utilities and gundogs.
7.05 **News and Sport; Weather.**
7.20 **Tortelier Masterclass.** Featuring the late Paul Tortelier coaching students through the Elgar Cello Concerto. First shown in 1974.
8.05 **The Secret Life of Alban Berg.** Revealing portrait of the Austrian composer who had an affair with a married woman. Including footage of an unpublished document that has become a blue-print for understanding his music.
9.05 **Moving Pictures.** Profile of Joe Eszterhas, reputed to be the highest-paid and most controversial screenwriter in the world. Plus an interview with martial arts femme fatale, Cynthia Rothrock, and a look at Bertrand Blier's latest surreal comedy, Merci La Vie.
9.50 **Film: Jagged Edge.** A female lawyer is hired to defend a wealthy newspaper publisher accused of the savage murder of his wife. Tense thriller, starring Jeff Bridges and Glenn Close with Robert Loggia and John Dehner (1985).
11.35 **Darts World Championships.** Highlights of today's final.
12.40 **Close.**

LWT

6.00 TV-am. 9.25 Motormouth. 11.30 The ITV Chart Show. 12.30 pm The Munsters Today.

1.00 **ITN News; Weather.**
1.05 **LWT News; Weather.**
1.10 **Saint and Greavsie.** Ian and Jimmy present highlights from the quarter-finals of the Rumbelows League Cup, and report on the draw for the semi-finals.
1.55 **The Day.**
2.00 **Ski Tips.** The second in the six-part series giving advice to both beginners and advanced skiers.
2.30 **Cobblestones, Cottages and Castles.** Transports of Delight.
3.00 **Snooker - The Mercantile Credit Classic.** Nick Owen introduces the first of two sessions which decide the winner of this year's first tournament.
4.45 **Results Service.**
5.00 **ITN News; Weather.**
5.05 **LWT News; Weather.**
5.15 **10 Sharp!** Presenter Pat Sharp with Nigel Benn and latest pop sensation Cicero.
5.25 **Baywatch.**
6.15 **Blind Date.**
7.15 **Barrymore.**
8.00 **Inspector Morse.** The dour detective finds romance in an unlikely setting as he investigates the suspicious death of a woman deacon. John Thaw and Kevin Whately star, with guests Maurice Denham, Peggy Mount and Maggie O'Neill.
10.00 **ITN News; Weather.**
10.15 **LWT Weather.**
10.20 **The Trouble with the Fifties.** A selection of monochrome memories are brought to life by Michael Aspel, and a studio of Fifties stars take a look at the best TV and films of the day. Guests include Raymond Baxter, The Beverley Sisters, Joe Brown, Michael Denison, Lonnie Donegan, Charlie Drake, Denis Nordern, Sir Harry Secombe, Sylvia Sims, Fred Trueman, Bert Weedon and Bruce Welch.
11.25 **Snooker - The Mercantile Credit Classic.** Nick Owen leads viewers through the final frames.
12.30 **Wrestling.**
1.30 **Get Stuffed; ITN News Headlines.**
1.35 **New Music.**
2.30 **Get Stuffed; ITN News Headlines.**
2.40 **Bhangra Beat.**
3.10 **Coach.**
3.40 **American College Football 1992.**
4.35 **The Hit Man and Her New Year Party.**

CHANNEL4

6.00 Early Morning. 9.30 Woodbine Place. 10.30 Wagon Train. 11.30 Kingdom of the Deep. 12.30 pm American Football - Red 42.

1.00 **Film: Young Man of Music.** Biopic of legendary jazz trumpeter Bix Beiderbecke, who finds himself compulsively drawn towards his music. Starring Kirk Douglas, Lauren Bacall and Doris Day (1949).
3.05 **Film: By the Light of the Silvery Moon.** Sequel to On Moonlight Bay, which finds Marjorie's soldier boyfriend returning from the war to marry her. Musical comedy starring David Butler and Doris Day (1953).
5.00 **For Your Pleasure.**
5.05 **Brookside.**
6.30 **News Summary; Right to Reply** returns with new presenter Sheena McDonald. Including a viewer's report on two programmes on neo-nazism that were broadcast late last year, on C4's Dispatches and ITV's This Week. Also viewers air their opinions on the cuts made by the BBC in the film The Accused starring Jodie Foster.
7.00 **King's Cross: David and Goliath.** British Rail want to build the biggest station in the world, a Channel Tunnel terminus-cum-office city, but have met fierce opposition. Can they win?
8.00 **Queen — Live at Milton Keynes Bowl.** Screened as a tribute to Freddie Mercury who died last year.
9.00 **Dirk Bogarde: By Myself.** Talking frankly about the craft of acting, Bogarde analyses his appeal and describes how he transformed himself from a successful matinee idol into a mature screen performer.
10.00 **Film: King and Country.** A young soldier who walks away from the guns during World War One is court-martialled for desertion. The penalty he faces is death. Starring Dirk Bogarde and Tom Courtenay (1964).
11.40 **One Night Stand.** With American comedian Kevin Meaney.
12.10 **Film: Lola.** There are serious repercussions when a cynical cabaret singer sets her sights on the only honest politician in town. German film starring Barbara Sukowa and Armin Mueller-Stahl (1982).
2.15 **American Football — Red 42.**
2.45 **The Word.**
3.40 **Close.**

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Ski Tips. 1.05 Anglia News. 1.55 Dinosaurs. 2.25 Snooker — The Mercantile Credit Classic. 5.05 Anglia News and Sport 5.15 Cartoon Time. 10.15 Regional Weather.

BORDER:
1.05 Border News. 1.55 Snooker — The Mercantile Credit Classic. 5.05 Border News 5.15 Cartoon Time.

CENTRAL:
1.05 Central News 1.55 Snooker — The Mercantile Credit Classic. 5.10 Central News 5.15 Central Sports Special — Goals Extra. 10.15 Local Weather.

CHANNEL:
12.30 Superman. 1.05 Diary Dates. 1.55 Motorsport Special. 2.25 Snooker — The Mercantile Credit Classic. 5.05 Channel News. 5.15 Cartoon Time.

GRAMPIAN:
12.30 Ski Tips. 1.05 Grampian Headlines 1.55 Abairt 2.15 Crann Tara. 2.45 Snooker — The Mercantile Credit Classic. 5.05 Grampian Headlines 5.10 Criomagan. 5.15 Cuirm Cioinne. 10.15 Grampian Weather.

GRANADA:
12.30 Superman. 1.05 Granada News 1.55 Snooker — The Mercantile Credit Classic. 5.05 Granada News 5.10 Granada Goals Extra.

HTV:
12.30 Superman. 1.05 HTV News 1.55 Ski Tips. 2.25 Snooker — The Mercantile Credit Classic. 5.05 HTV West News and Sport.

HTV Wales as HTV except:
5.05 HTV Wales News and Sport.

SCOTTISH:
12.30 The Velveteen Rabbit. 1.05 Scotland Today. 1.55 Snooker — The Mercantile Credit Classic. 4.45 Scotsport Results. 5.05 Scotland Today. 5.15 Cartoon Time. 10.15 Scottish Weather.

TSW:
12.30 The South West Week. 1.05 TSW News. 1.55 Snooker — The Mercantile Credit Classic. 5.05 TSW News. 5.15 Gus Honeybun's Cartoon-time. 10.15 TSW Weather.

TVS:
1.05 TVS News. 1.55 Motorsport Special. 2.25 Snooker — The Mercantile Credit Classic. 5.05 TVS News. 5.15 Cartoon Time.

TYNE TEES:
1.05 Regional News. 1.55 Snooker — The Mercantile Credit Classic. 5.05 Northern Life Sport Special. 5.15 Cartoon Time.

ULSTER:
12.30 Blockbusters. 1.05 Ulster Newstime 1.55 Snooker — The Mercantile Credit Classic. 5.10 Ulster News and Sport 5.15 Cartoon Time. 10.15 Ulster Newstime

YORKSHIRE:
12.30 Katts and Dog. 1.05 Calendar News. 1.55 Snooker — The Mercantile Credit Classic. 5.05 Calendar News. 5.15 Cartoon Time. 10.15 Local Weather.

S4C Wales as Channel 4 except:-
9.30 Jeifin. 10.00 Pro-Celebrity Golf. 11.00 A Brush with Art. 11.30 Dramarama. 12.00 Travelog. 1.00 Asi Ka Robin Hood. (1968) 2.25 Hello Dolly! (1969) 5.00 Free For All. 7.00 Newyddion Nos Sadwrn. 7.25 Bechingalw. 7.55 Dr Elen. 8.55 Desmonds. 9.25 Quizbowl. 9.55 Tocyn Tymor. 10.35 Somebody Up There Likes Me. (1956)

SUNDAY

BBC1

7.15 The Chesters. 7.40 The Four Great Seasons. 8.10 News. 8.15 Getting Through. 8.30 This is the Day. 10.00 See Hear! 10.30 Deutsch Direkt. 10.55 Fast Feasts. 11.00 Into Print. 11.30 Skillshop.

12.00 **Play it Safe.**
12.30 **Country File.**
12.55 **Weather for Farmers.**
1.00 **News; Paradise.** Starring Lee Horsley.
1.50 **Cartoon.**
2.00 **EastEnders.**
3.00 **Columbo: Now You See Him.** Starring Peter Falk.
4.25 **Biteback.** Julian Pettifer with the right-to-reply programme for viewers.
5.05 **The Clothes Show.** New looks for the new year.
5.30 **Antiques Roadshow.** Porcelain cats, a rare bronze jardiniere and a model ship are among the delights to be found when Hugh Scully and the Roadshow experts visit Cleethorpes.
6.15 **Play It Safe.** Anneka Rice looks at ways to prevent children's accidents in the home.
6.25 **News.**
6.40 **Songs of Praise.** Martin Bashir visits St David's Hall, Cardiff.
7.15 **'Allo 'Allo!** New series.
7.45 **Lovejoy.** New series. Starring Ian McShane and Phyllis Logan.
8.35 **As Time Goes By.** New series. Romantic comedy by Bob Larbey, starring Judi Dench and Geoffrey Palmer.
9.05 **A Time to Dance.** New series. Three-part tale about a turbulent love affair in a small town in Cumbria. Starring Ronald Pickup, Dervla Kirwan, and written by Melvyn Bragg.
10.05 **News and Weather.**
10.20 **Everyman.** Dissident Iraqi writer Kanan Makiya has found security files which substantiate the charge of war crimes during the Gulf War. Everyman uncovers a campaign to exterminate hundreds of thousands of Kurds.
11.05 **The Nobel Century.** While literature flourished after World War One, scientific effort was being directed towards a deadlier purpose. The Nobel Century investigates.
12.00 **The Sky at Night.** Patrick Moore visits the site of the Keck reflector, the most powerful telescope in the world.
12.20 **Mahabharat.** (English subtitles).
1.00 **Weather.**
1.05 **Close.**

BBC2

7.25 But First This On Two; Hallo Spencer. 7.55 Playdays. 8.05 Babar. 8.30 Telling Tales. 8.45 The Legend of Prince Valiant. 9.10 Blood and Honey. 9.30 Defenders of the Earth. 9.50 Blue Peter Omnibus. 10.40 Strangers. 11.05 Boxpops. 11.45 The O-Zone. 12.00 Film: The Courage of Lassie.

1.30 **Film: There Must be a Pony.** A faded Hollywood star and her teenage son are low on cash and living on dreams, until a new man enters their lives. Melodrama, starring Elizabeth Taylor, Robert Wagner and James Coco (1986).
3.00 **Opera Season: Wozzeck,** based on the play by Georg Buchner. The English National Opera's production by David Pountney of one of the greatest operas this century. Simultaneous broadcast with R3.
4.40 **Great Sporting Moments.** Arnold Palmer against Peter Thompson in the 1967 World Matchplay Tournament.
5.00 **Rugby Special.** Bath v Leicester. Plus preview of the start of next week's Five Nations Championship.
6.00 **Ski Sunday.** The Men's Downhill from Garmisch-Partenkirchen, Bavaria.
6.35 **The Money Programme.** Private health insurance has become a standard feature of company perks, but companies providing it are under pressure from increased claims and rising costs. Rory Cellan-Jones reports on the ambitions of Norwich Union, which seeks to offer cut-price private health packages to the masses.
7.15 **Crufts 92: Supreme Champion.** Live coverage of Best in Show and the coveted Supreme Champion title.
8.15 **Signs of the Times.**
9.05 **Trying Times.** New series.
9.35 **Did You See?** Jeremy Paxman is joined by Glenys Kinnock to review Otherwise Engaged — a Channel 4 documentary on how women in the Welsh valleys enjoy a night out. Paul Jackson, comedy producer, gives his verdict on the outrageous Jerry Sadowitz in The Pall Bearer's Revue.
10.05 **Film: Ironweed.** Drama, with Jack Nicholson and Meryl Streep (1987).
12.25 **Close.**

LWT

6.00 TV-am. 9.25 Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 Encounter. 12.30 pm LWT News Weekend. 12.55 LWT Weather.

1.00 **ITN News; Weather.**
1.10 **Special Friends.** The story of two 23-year-old women with Downs Syndrome, whose unique friendship helped them to attain a high level of independence; **The Day.**
2.00 **Batman.**
2.50 **Dinosaurs.**
3.20 **The Match.** Leeds United continue the quest for the League Championship as they face Sheffield Wednesday. The action comes live from Hillsborough as the Yorkshire rivals clash. Hosted by Elton Welsby with commentary by Alan Parry.
5.30 **Bullseye.**
6.00 **Animal Country.**
6.30 **ITN News; Weather.**
6.35 **LWT News; Weather.**
6.40 **Highway.** Sir Harry Secombe visits the Exe Estuary and meets Rabbi Lionel Blue, naturalist Tony Soper, and George Pridmore, a journalist from Exmouth.
7.15 **You've Been Framed!**
7.45 **Agatha Christie's Poirot.** Death In The Clouds. While watching tennis on holiday in Paris, Poirot witnesses an encounter which severly disrupts his flight home to London. Starring David Suchet and Philip Jackson.
9.45 **ITN News; Weather.**
10.00 **LWT Weather.**
10.05 **The South Bank Show.** In Hunt the Funk, Lenny Henry goes in search of the roots of funk music as he traces this style's development from its early days to more recent manifestations. Guests include James Brown, Hammer and Bootsy Collins.
11.05 **Film: The Ann Jillian Story.** The true story of Ann Jillian who, at the height of her career, was struck down with breast cancer and fought back to make a complete recovery. Ann Jillian stars in her own story, alongside other members of her family (TVM 1987).
12.55 **Cue the Music; ITN News Headlines.**
1.55 **The ITV Chart Show.**
2.55 **Film: Assault.** An art mistress helps police solve a rape case in an English village. Routine detective drama, starring Frank Finlay and Suzy Kendall (1970).
4.30 **Pick of the Week.**
5.00 **Soap.**

CHANNEL4

6.00 Early Morning. 9.25 The Sword of Tipu Sultan.(English subtitles). 10.00 Dangerous Lives. 10.50 Dennis. 11.10 Round the Bend. 11.30 Dramarama. 12.00 Little House on the Prairie.

1.00 **Voyage to the Bottom of the Sea.**
2.00 **Film: Twelve O'Clock High.** During World War Two, the commander of a US bomber unit in Britain begins to crack under the strain. Starring Gregory Peck and Hugh Marlowe with Dean Jagger and Gary Merrill (1949).
4.25 **Valued Opinion.** New series. Looking at the best of the Channel Islands' traditional silverware. Presented by Max Robertson.
4.55 **News Summary.**
5.00 **Scottish Eye.** The current affairs programme with a Scottish perspective returns with a report on how high levels of childhood leukaemia have been discovered near chemical waste sites on the outskirts of Glasgow..
5.30 **Dig.** Repeat of the unorthodox gardening programme presented by Carolyn Marshall. Ralph Steadman demonstrates his own methods of pest control and Carolyn takes a look round film-maker Derek Jarman's garden with his unconventional nuclear folly. Peter Clough, head gardener at Inverewe Gardens, shows what plants a dinosaur garden might have held.
6.00 **Teenage Health Freak.**
6.30 **The Wonder Years.**
7.00 **Defenders of the Wild.** New series. In the Taim Nature Reserve in the far south of Brazil, Jose Palazzo heads a team of volunteers fighting the illegal fur trade and the hunters of birds and animals.
8.00 **American Football.** The live game tonight is the Detroit Lions at the Washington Redskins. Plus highlights from Denver Broncos at the Buffalo Bills.
12.30 **Film: Joyride.** Two young couples are on the road to Alaska looking for adventure, but drift into crime. Starring Desi Arnaz Jr, Robert Carradine, Melanie Griffith and Anne Lockhart (1977).
2.10 **Close.**

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.25 Goals Galore. 12.50 Anglia News. 1.10 The Story of Steam. 2.00 Highway to Heaven. 2.50 A Place In the Sun. 6.35 Anglia News. 11.05 Smile Jenny You're Dead. (TVM 1974)

BORDER:
12.30 Gardening Time. 12.55 Border News. 1.10 The Crooked Road. (1964) 2.55 Bullseye. 5.30 Scotsport. 6.35 Border News. 11.05 Prisoner: Cell Block H.

CENTRAL:
12.30 Gardening Time. 12.55 Central News 1.10 1991 World Triathlon Championships. 2.10 The Blizzard of Aahhhs. 6.00 Dinosaurs. 6.35 Central News 11.05 The Ann Jillian Story. (1987)

CHANNEL:
12.30 Reflections. 12.35 Les Francais Chez-Vous. 12.50 Tele-Jornal. 1.10 The Wonderful World of Disney. 2.05 Ski Tips. 2.35 Cartoon. 6.35 Channel News.

GRAMPIAN:
11.15 Eikon. 11.45 Link. 12.25 Jack Thompson Down Under. 12.55 Grampian Headlines. 1.10 Eye of the Downhill Racer. 2.10 Doctor at Large. (1957) 4.00 Animal Country. 4.30 Bullseye. 5.00 Scotsport. 6.00 Scotland's War. 6.35 Grampian Headlines. 10.00 Grampian Weather. 11.05 Prisoner: Cell Block H.

GRANADA:
12.25 Close to the Edge. 12.55 Granada News. 1.10 Cartoon Time. 1.25 The A Team. 2.20 Bullseye. 2.50 Taylor and McMenemy. 5.30 Coronation Street. 6.35 Granada News 11.05 Prisoner: Cell Block H.

HTV:
12.30 West Country Farming. 12.55 HTV News 1.10 German Touring Car Championships. 2.00 HTV Newsweek. 2.30 Planning the Small Garden. 2.45 Cartoon Time. 6.35 HTV News

HTV Wales as HTV except:
2.00 Wales on Sunday. 2.45 Cartoon Time.

SCOTTISH:
12.30 Eikon. 12.55 Scotland Today. 1.10 McCloud. 2.05 The Greatest Show on Earth. (1952) 5.00 Scotsport. 6.00 Scottish Action on the Elderly. 6.35 Scotland Today 10.00 Scottish Weather.

TSW:
12.30 TSW Farming Week. 12.55 TSW News. 1.10 Triumph of the Nomads. 2.05 Children's Island. 2.35 The A Team. 6.35 TSW News. 10.00 TSW Weather. 11.05 The Old Man Who Cried Wolf. (1970)

TVS:
12.30 TVS News. 12.33 An Invitation to Remember. 1.10 The Wonderful World of Disney. 2.05 Ski Tips. 2.35 Cartoon. 6.35 TVS News.

TYNE TEES:
12.25 The Best of British. 12.55 Regional News. 1.10 Highway to Heaven. 2.10 Out of Limits. 2.20 Dinosaurs. 2.50 The Back Page. 6.35 Regional News. 11.05 Prisoner: Cell Block H.

ULSTER:
12.30 Gardening Time. 12.55 Ulster News 1.10 Rock Sport. 1.25 Matlock. 2.20 Bullseye. 2.50 River Thames. 5.30 Coronation Street. 6.35 Ulster Newstime 10.00 Ulster Newstime 11.05 Women in Chains. (TVM 1971)

YORKSHIRE:
12.25 Goals on Sunday. 12.50 Calendar News. 1.10 The Spectacular World of Guinness Records. 1.35 Merril's Marauders. 5.30 Animal Country. 6.00 Bullseye. 6.35 Calendar News. 11.05 Scrumdown.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne Robinson. 12.00 Gyles Brandreth. 1.30 Round the Horne. 2.00 I'm Sorry I Haven't a Clue. 3.00 Ronnie Hilton. 3.00 Steve Race. 4.00 Jukebox Jivers. 5.30 The Great Musicals. 6.00 Cinema 2. 6.30 Music by Jerry Goldsmith. 7.00 Bob Holness Requests the Pleasure. 7.00 The Reader's Almanac. 7.30 Evelyn Laye Presents the World of Noel Coward. 8.30 Easy Does It. 10.00 The Arts Programme. 12.05 Julie London. 12.00 Night Ride. 3.00 A Little Night Music. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.35 (FM) Open University. 6.55 Weather and News Headlines. 7.00 Morning Concert. 8.30 News. 8.35 BBC Scottish Symphony Orchestra. 9.30 Saturday Review. 10.45 Call the Controller: 071-580 4411. 11.20 Record Release. 12.00 Words. 1.00 News. 1.05 Bach. 2.00 Rafael Kubelik. 4.00 Debussy Preludes. 5.00 Jazz Record Requests. 5.45 Third Opinion. 6.30 Violin and Viola. 7.30 Torvaldo E Dorliska. 10.45 Vega Wind Quintet. 11.25 Mozart Through the Looking Glass. 12.00 News. 12.05 Close.

BBC RADIO 4
6.00 News. 6.10 Farming Week. 6.50 Prayer for the Day. 6.55 Weather. 7.00 Today. 8.55 Weather. 9.00 News. 9.05 Sport on 4. 9.30 Breakaway. 10.00 News; Loose Ends. 11.00 News; Talking Politics. 11.30 From Our Own Correspondent. 12.00 Money Box. 12.25 Just a Minute! 12.55 Weather. 1.00 News. 1.10 Any Questions? 1.55 Shipping Forecast. 2.00 News; Any Answers? 2.30 Saturday Playhouse: Terra Longy. 4.00 The Art of Travel. 4.30 Science Now. 5.00 What If? 5.25 Family Fortunes. 5.50 Shipping Forecast. 5.55 Weather. 6.00 News; Sports Round-Up. 6.25 Week Ending. 6.50 Ad Lib. 7.20 Kaleidoscope in Greenland. 7.50 Classic Serial: The Betrothed. 8.50 Only Connect. 9.30 Music in Mind. 9.50 Ten to Ten. 9.59 Weather. 10.00 News. 10.15 Northern Lights. 10.45 For He is an Englishman. 11.00 Richard Baker Compares Notes. 11.30 The End of the Road Show. 12.00 News. 12.20 Weather; Interlude. 12.33 Shipping Forecast. 12.43 (FM) Close. 12.43 (LW) As World Service.

BBC RADIO 5
6.00 News and 24 Hours. 6.30 Morning Edition. 9.00 On Your Marks. 12.00 Sport on 4 Plus 1. 12.30 Sportscall. 1.30 Sport On 5. 6.00 News. 6.05 Six-O-Six. 7.30 Le Top. 9.00 Afropop Worldwide. 10.00 Sports Bulletin. 10.15 On the Level. 12.00 Sport. 12.10 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times GMT:
6.00 Newsdesk. 6.30 Londres Matin. 7.00 News; Twenty-four Hours live; News summary. 7.30 From the Weeklies. 7.45 The Mozart Phenomenon. 8.00 News; Words of Faith. 8.15 A Jolly Good Show. 9.00 News; Waveguide; Worldbrief. 9.30 Personal View. 9.45 Sports Roundup. 10.00 News Summary; Jazz Now And Then. 10.15 Letter From America. 10.30 People and Politics. 11.00 Newsdesk. 11.30 Londres Midi. 11.45 Mittagsmagazin. 12.00 News; News About Britain. 12.15 Multitrack 3. 12.45 Sports Roundup. 1.00 Newshour. 2.00 Club 648. 2.15 Personal View. 2.30 Sportsworld. 3.00 News. 3.15 Sportsworld continued. 4.00 News; News About Britain. 4.15 BBC English. 4.30 News in German. 4.40 German Features. 5.00 News Summary; Sportsworld: final results. 5.30 Londres Soir. 6.14 BBC English. 6.29 News Summary. 6.30 Heute Aktuell. 7.00 German Features. 7.54 News in German. 8.00 News; Book Choice. 8.15 Londres Derniere. 8.30 Europe This Weekend. 9.00 Newshour. 10.00 News. 10.05 Short Story: Cucumbers And Mint. 10.20 Meridian. 10.50 Sports Roundup. 11.00 News; Words of Faith; Book Choice. 11.15 A Jolly Good Show. 12.00 Newsdesk. 12.30 The Ken Bruce Show. 1.00 News Summary. 1.00 Play of the Week: Yabuhara - The Blind Master Minstrel. 2.00 Newsdesk. 2.30 What Do Hindus Believe? 3.00 News; News About Britain. 3.15 Sports Roundup. 3.30 From our own Correspondent. 3.50 Write on. 4.00 Newsdesk. 4.30 Business Review. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2
7.00 Don MacLean. 9.05 John Sachs. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Palm Court Time. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half-Hour. 9.00 Alan Keith. 10.00 Arts Programme. 12.05 Gyles Brandreth. 1.00 Colin Berry with Night Ride. 3.00 A Little Night Music. 4.00 Steve Madden

BBC RADIO 3
7.00 Morning Concert. 8.30 News. 8.35 Music for the Serenissima. 9.15 The Juilliard Quartet. 10.15 Music Weekly. 11.00 From the Proms 1991. 12.40 Signposts. 1.00 News. 1.05 Your Concert Choice. 2.30 Couperin. 3.00 Wozzeck. 4.40 Poet of the Month. 5.00 Soundings. 6.00 There Was a Birth. 7.00 Prokofiev. 7.30 Sunday Play. 9.25 Berlin Philharmonic. 11.10 Martino Tirimo. 12.00 News. 12.05 Close.

BBC RADIO 4
6.00 News. 6.10 Prelude. 6.30 News; Morning Has Broken. 6.55 Weather. 7.00 News. 7.10 Sunday Papers. 7.15 On Your Farm. 7.40 Sunday. 8.50 The Week's Good Cause. 8.55 Weather. 9.00 News. 9.10 Sunday Papers. 9.15 Letter from America. 9.30 Morning Service. 10.15 The Archers. 11.15 News Stand. 11.30 Pick of the Week. 12.15 Desert Island Discs. 12.55 Weather. 1.00 The World This Weekend. 1.55 Shipping Forecast. 2.00 Gardeners' Question Time. 2.30 Call the Controller: 071-580 4411. 3.30 Sunday Playhouse. 4.00 The Power and the Glory. 4.47 The Great Bug Hunt. 5.00 News; Coastline. 5.40 Personal Obsessions. 5.50 Shipping Forecast. 5.55 Weather. 6.00 News. 6.15 The Village. 6.30 Best Behaviour. 7.00 The Desert War. 7.30 Bookshelf. 8.00 Concerto. 8.00 The Natural History Programme. 9.30 Special Assignment. 9.59 Weather. 10.00 News. 10.15 A Journey to the Polar Sea. 11.00 A Marx Man. 11.30 Seeds of Faith. 12.00 News and Weather. 12.33 Shipping Forecast. 12.43 (FM) Close. 12.43 (LW) As World Service.

BBC RADIO 5
6.00 Newsdesk. 6.30 Meridian Reports. 7.00 News and 24 Hours. 7.30 Sunday Edition. 9.00 Johnnie Walker with the AM Alternative. 10.30 Education Matters. 11.00 News; Sport; Topolski's Travels. 11.30 A Century Remembered. 12.00 News and Sport. 12.05 Ring a Controller. 1.40 Open University. 2.00 News and Sport; Chain Reaction. 2.30 Football Extra. 5.10 Bob Harris Rattle. 6.00 Sports Bulletin. 6.05 Mission Investigates. 6.30 Swallows and Amazons. 7.00 Sports Bulletin. 7.15 Euromix. 8.00 Paso Doble. 8.30 France Extra! 9.00 Deutsch Direkt! 9.30 Dragnet. 10.00 Sport. 10.10 Across the Line. 12.00 News and Sport. 12.10 Close.

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CHESS

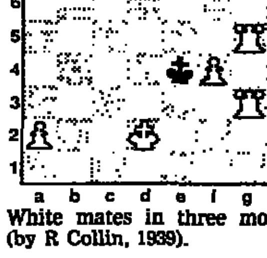
WHEN Bobby Fisher, in the 1958 game which made him the youngest ever grandmaster, and Gary Kasparov, in the 1985 game which settled the world title, played Black against 1 e4 both chose a sharp Sicilian Defence.

Judit Polgar also used a complex Sicilian for the Hungarian championship final round victory which broke Fischer's age record. She controlled mazy tactics to emerge into a won ending. (T Tolnai, White; J Polgar, Black; Sicilian Defence; Hungarian championship 1991).

1 e4 c5 2 Nf3 e6 3 d4 cxd4 4 Nxd4 a6 5 Nc3 Qc7 6 f4 6 Bd3 with 0-0 and Re1 is the usual formation. b5 7 Bd3 Bb7 8 Qf3 Nf6 9 Be3 Nc6 10 0-0-0 b4 11 Nce2 Na5 White prepares a massive central or K-side push, while Polgar starts an early Q-side action. She avoids Be7 and 0-0 which would provoke the response g4-g5. 12 g4 d5 13 e5 Nd7 14 Kb1 Black has declared her intention to castle long, so White should open up the c file by 14 b3 0-0-0 15 Kb1 with Rc1 and c3. Nc4 15 Bc1 0-0-0 16 h4 Nc5 17 b3 Na3+ 18 Ka1 f6 Stoking complications. Polgar's achievements may rival Fischer's, but her style is closer to great tacticians such as Keres or Tal. 19 c3 fxe5 20 fxe5 Nc4! 21 Nxe6 Nxe5 22 Qg3 Nxe6 23 Bf5 Kb8 24 Bxe6 bxc3 25 Nxc3 d4 26 Rhf1 Bb4! Better than dxc3 27 Rxd8+ Qxd8 28 Bf4. Polgar completes piece development and aims for a won endgame. 27 Na4 Rhe8 28 Bf5 Bc6 29 Bb2 g6 30 Bb1 Bxa4 31 bxa4 Bc3 32 Bxc3 Qxc3+ 33 Qxc3 dxc3 34 Rc1 Rc8 The c3 pawn is strong, White's pawns are weak. 35 Rf4 Rc5 36 Rb4+ Ka7 37 Rb3 Rec8 38 Be4 R8c7 39 Rd1 Nc6! Not Nxg4? 40 Rd8. 40 Bxc6 R5xc6 41 Rb4 Rc4 42 a3 Rxb4 43 axb4 Rc4 44 b5 a5 45 hxg6 hxg6 46 Ka2 Rb4 47 Rg1 c2 48 g5 Kb6 49 Resigns. The pawn will win a rook.

Nigel Short has advanced to world no 4 in International Chess Federation rankings. The top places are Kasparov 2,780 points, Karpov 2,725, Ivanchuk 2,720, Short 2,685, Anand 2,670. Polgar's rating of 2,550, the highest by a woman, puts her in the top 100.

CHESS No 905



White mates in three moves, (by R Collin, 1939).

Leonard Barden

Solution Page XVIII

BRIDGE

Here is a hand which occurred in a duplicate pairs event:

```
             N
          ♠ Q 10 7 3
          ♥ A
          ♦ A J 6 3
          ♣ K 8 5 4
   W                  E
♠ 9 6 4           ♠ 8 5 2
♥ K 9 4           ♥ 10 7 6 5 3
♦ 10 9 2          ♦ Q 8
♣ 10 9 7 2        ♣ J 6 3
             S
          ♠ A K J
          ♥ Q J 8 2
          ♦ K 7 5 4
          ♣ A Q
```

I dealt in the South seat at love all, and started off with two no trumps on my 20 points, and my partner's raise to six no trumps concluded the brief auction. At rubber bridge North's correct response is a Baron three clubs, asking for four-card suits to be shown in ascending order, but with match point scoring the raise to six no trumps is acceptable. Six diamonds is a safe contract and if South cashes diamond ace and crosses to king, he will make 13 tricks.

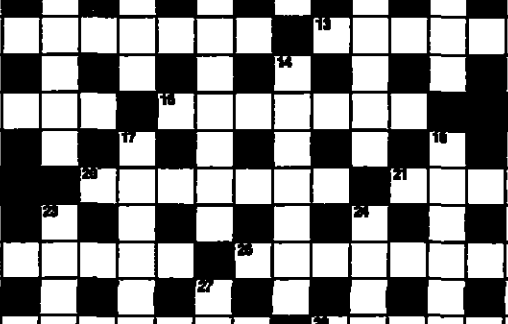
Six no trumps requires more planning. West opened with the two of clubs. I had 10 top tricks, another could be established in hearts, and there was the diamond finesse. Taking East's club knave with my ace, I cashed four rounds of spades for reasons of discovery. I discarded a low diamond from hand, East threw a heart, suggesting a five-card suit, and West also decided to part with a heart. Now I cashed the heart ace, crossed to my queen of clubs, and led the heart queen to West's king. I was sure that West had begun with a 3-3-3-4 hand pattern. West played his 10 of clubs to dummy's king, and I came to hand via the diamond king, and cashed my knave of hearts. This put pressure on West, forcing him to part with a diamond. I now knew that each opponent held one diamond, and that the queen was bound to fall from one side or the other. Nothing exotic in this hand, but it proves that forcing discards from your opponents can make their hands an open book.

E P C Cotter

CROSSWORD

No. 7,744 Set by DINMUTZ

A prize of a Classic Pelikan Souveran 800 fountain pen for the first correct solution opened and five runner-up prizes of £15. Solutions by Wednesday January 22, marked Crossword 7,744 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday January 25.



Name...

Address...

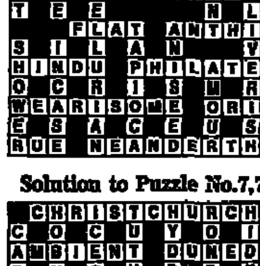
ACROSS

1 Keenness of chaps following a copper (6)
4 Short Greek ladies, surprisingly, provide a model of wifely obedience (8)
9 Dive like a brick? (6)
10 Jump a line — possibly four (8)
12 Southern tourist who gets out of gear (8)
13 New Str. badly littered (6)
15 But not the Latin author of The Moon and Sixpence? (4)
16 Speaker's platform in opera buffet (7)
20 Medical disorder which can recur (7)
21 The language when I put on new hat! (4)
25 Put money upfront for early school? Always! (6)
26 Condemnation of a well-formed expression (8)
28 But does it give a hoot where it preys? (5-3)
29 Pop a bit off at Hereford? (6)
30 Like Jock's horses being difficult — steering is awkward (8)
31 Places often visited, like university in Hampshire (6)

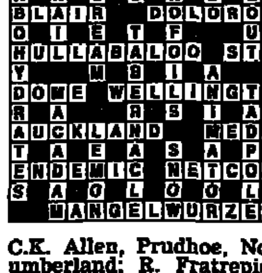
DOWN

1 Union had trouble overthrowing row (8)
2 Unlikely condition of faun trembling before an attack? (8)
3 Excused, discharged and let off (6)
5 Chamber in which Othello retired (4)
6 Approval of coercive measure (8)
7 Abandons holiday covering the south (6)
8 A city individual, no matter who (6)
11 Down-payment is retained by store (7)
14 Ran round beam being painted (7)
17 Group of ten books corrupting? (8)
18 Double feature of health (4-4)
19 Weapons of companies taking in auditor (8)
22 Arrive for a paper-round (6)
23 Hound reveals black bird of prey (6)
24 A Scottish engineer retired with no capital (6)
27 Square triumph for Remus, for example (4)

Solution to Puzzle No.7,743



Solution to Puzzle No.7,733



C.K. Allen, Prudhoe, Northumberland; R. Fratrepietro, Bridgewater, Connecticut, USA; T.G. and M.L. Miles, Scarisbrick, Lancashire; G. Smith, Sindlesham, Berkshire; Mrs J. Smith, London SW14.

Big Mac cure for eastern Europe

***John Willman** dreams of creating a charity which spreads capitalism*

IF CAPITALISM is such a great system, why can't it do more to help those who want to sign up for it? I ask the question because we fat cats in the West seem unable to offer any constructive advice to the peoples of the former Soviet Union on how they can board the gravy train.

Most western economists sound like Mr Punch's Irishman who, when asked the way to Dublin, said that he would not start from here.

Capitalism may have defeated communism in the battle of ideas. But for the ordinary Muscovite in the bread queue, capitalism = price reforms = hyperinflation plus civil disorder.

Liberal democracy is unlikely to be victorious in the circumstances. If darker forces prevail, they will have access to the Soviet nuclear arsenal – so we all share a vested interest in encouraging wealth and happiness east of the Vistula.

Now I am well aware that international capitalism is not a multinational corporation which can expand into new markets like IBM or Unilever. But some sort of consortium needs to be assembled with extraordinary powers to direct resources towards easing the suffering of the Soviet peoples.

Its mission statement would be to sponsor projects which improve the lives of ordinary men and women, encourage virtuous economic behaviour and spread understanding about the mysteries of capitalism.

For example, McDonalds might be commissioned to open a hamburger restaurant in every city in the Commonwealth of Independent States. The demonstration effect would be considerable for millions of Russians whose only experience of eating out is the works canteen or Restaurant No 41.

I would expect useful spin-off from McDonalds licking the local suppliers into shape. And the normal staff turnover in hamburger restaurants would swiftly create a cadre of young people skilled in keeping customers happy.

Action is also needed in the energy sector to keep the oil flowing and the lights burning. There are plenty of western oil contractors with experience of managing oilfields and refineries in worse circumstances than yet obtain in the former Soviet Union. I would send them in, offering incentive payments for keeping supplies flowing and modernising installations.

Some imaginative thought is also needed to modernise internal transport systems – especially the railways, which are the main way of moving freight. Indian railway managers should be appointed to run the Soviet rail system. As my colleague Quentin Peel has pointed out, they are better qualified to run an ageing railway under adverse conditions than, say, SNCF or DBB.

Then there is the challenge of beating swords into ploughshares – switching productive resources from the bloated arms industry to producing consumer goods. The 70,000 General Motors staff about to be made redundant in the US should be offered lucrative short-term contracts to convert Soviet tank factories into making lorries, vans and other useful vehicles.

And to encourage the Soviet armed forces to stay out of politics, International Capitalism PLC should pay their wages for the next six months. For a modest outlay (at current exchange rates), this would give the new governments of the independent states breathing space to establish their own structures of law, administration and taxation.

Naturally, the offer should be conditional on all nuclear warheads being handed over to the UN by next Wednesday.

Finally, the recession has left western computer manufacturers with stockpiles of unsold PCs which are rapidly losing their appeal in home markets as technology moves forward. I would snap them up at cost and give them away free – with accounting software and spreadsheets – to schools, research institutions and every enterprise which claims one. The sooner every would-be entrepreneur in the CIS is playing Lounge-suit Larry on an Amstrad, the better.

Expensive? Not in comparison with what has been spent on military containment since 1945 – or on the likely cost if increasing misery leads to anarchy and civil war. I would have thought that about a tenth of the NATO budget would be enough to fund these pump-priming exercises.

The fact that some of these ideas will also produce work for western companies is an added attraction. How better to dig ourselves out of a recession than by spreading the capitalist message?

Private View

The conscientious baker's boy who used his loaf

***Christian Tyler** meets Philip Johnson-Laird, psychology professor at Princeton*

IF HE had stuck to his first profession of quantity surveyor he could have gone on playing rugby for Rosslyn Park on Saturdays and jazz piano and vibraphone for extra money in the evenings.

But he could not stand the apprenticeship. He tried to escape by volunteering for the Fleet Air Arm, only to be told his eyesight was too poor.

When release came, with National Service call-up, it was too late. He was now under the influence of the early CND and of the philosopher Bertrand Russell – every one of whose books he had read – and declared himself a conscientious objector.

The tribunal sentenced him to two years and 60 days' alternative service. He complied by becoming first a hospital porter and then a bakery worker.

By this time, the youth who had left school at 15 with only a "praeceptor's senior certificate" because his father could not afford to keep him on, was feeling the weight of his lack of education. During his bakery lunch-breaks he studied for 'O' levels and 'A' levels. Encouraged by an academic friend, Sheila Jones, a founder of CND, he got into University College, London, to read psychology and logic (Russell's influence again). He was 25.

Last year, Philip Johnson-Laird was elected a Fellow of the Royal Society in London, one of the oldest and most prestigious scientific bodies in the world.

The citation reads: "Distinguished for his contributions to the psychology of reasoning and language. His suggestion that the lexical meanings of words could be treated as computational procedures supports the views that comprehension involves the construction of mental models, and that reasoning lies in their manipulation."

In short, Johnson-Laird's work is to think about thinking.

But he no longer does it in England. Like about 10 per cent of the Society's British-born Fellows, Johnson-Laird works in the US. After posts in London, Sussex and Cambridge, he succumbed three years ago to repeated invitations to migrate with his wife Maureen ("Mo") Sullivan and their two children to Princeton, New Jersey, where he is Professor of Psychology.

When I first met him, the former baker's boy was tapping something into a small computer in the front room of his neat, colonial-style house just off the university campus. He was teaching the computer to improvise modern jazz. He explained that he was writing a program to make explicit a theory about how people create: the computer input consisted of symbols denoting musical chords and the output an improvised bass line such as a jazz pianist might lay down.

I asked him to describe his scientific quest.

"I am interested in how the mind works. I want to put forward theories about it – what it is doing and how it is doing it – rather than what various neurons in parts of the brain are doing.

"My topics are how people reason, how they understand and use language, the nature of consciousness and emotions, how people create new ideas."

It involves laboratory experiment and computer modelling. The point of the model is to make the theory more explicit, therefore more testable and more useful, and also more open to other scientists' scrutiny.

"The model sharpens up your theoretical ideas. It prevents you bullshitting. If you can build a computer program of it, then you're not taking too much for granted. We must try and escape from the web of words and pin down what, for instance, Freud really meant by 'repression'. It's very problematic."

Johnson-Laird doubts whether science will achieve an explanation of human consciousness in his lifetime. He is a more hopeful of cracking the code of creativity. There are different sorts, he said. "It is reasonably easy to understand how people work in some well-defined genre: composing a Wordsworthian sonnet, for instance, or making a chemical assay – or jazz improvisation.

"Then there is the process involved in making a new piece of science, like the jump from Newtonian to Einsteinian mechanics, or, in painting, the shift from Impressionism, through Cezanne, to Cubism. Nobody, in my opinion, knows anything about how that's done. Maybe it's never going to be answered.It could be that it's essentially magic."

But Johnson-Laird thinks he has an answer to the controversy about whether there are universal rules for reasoning or whether the criteria for rationality are local to cultures in their own place and time.

"Take an African tribe that believes in witchcraft. One view is that these people are making mistakes in thinking. Another is that you have to investigate what their criteria are and then you discover they are not. I think the answer is that there is indeed a universal core of what it means to be rational. But there is not a set of working principles, so we do actually make errors in reasoning."

Why did you come to America?

Johnson-Laird applied a psychological test to his answer. "What I say may be just rationalisation. Social psychology shows that people are not aware sometimes of the true causes of their decisions. At the time I suppose it was a gut reaction."

I wondered how much of his disillusionment was party political.

Did Bertrand Russell shape your youthful views? I asked.

"I went to a Methodist public school and I suppose I had imbibed standard Tory party views about things. I remember in 1956 going to Trafalgar Square to hear Nye Bevan, when he made his famous 'Eden must go' speech. I was stunned by his oratory. He got 100,000 people to charge down Whitehall, pursued by the mounted police. But why I read Russell, I don't remember."

Did you count yourself a Left winger?

"I was sort of moving in that direction."

What do you count yourself now?

"I would count myself a democratic socialist."

Did you come to America because the money was better?

"Certainly it was a large salary. It would be hypocritical to deny that money was a factor. But I would *hate* readers of the *Financial Times* to think that by coming to America they are suddenly going to get rich. You get paid a lot more money, but you pay a lot more money. Our daughter is at university and that costs a lot. I'm living in a smaller house, driving basically the same car and . . . anyway, my life isn't really about making money."

Among the reasons he gave were restlessness, the presence at Princeton of psychologists with whom he wanted to work – and *vice versa* – and government cuts at the beginning of the Thatcher decade.

"I so hated what happened to universities as a result of the cuts. In many ways it was not so much the lack of resources, but what it did to people's morale. Money became *the* subject of conversation. Wherever you went, people would ask you how were you coping.

"When I was professor at Sussex I had a traumatic year as chairman of the faculty. It was the worst year of my life. It got to the point where we wondered whether we would have enough money to buy the feed for the animals in the laboratory.

"There is a saying in American academe that Thatcher did more for American universities than anybody since Adolf Hitler. Now that's a gross exaggeration. But it would be interesting to look at what's happening to people in their later career. It's not just a matter of counting heads."

Johnson-Laird said fewer of the brightest undergraduates were taking PhDs because there was no obvious academic career in Britain.

Perhaps, I suggested, the government correctly took the view that academic institutions had become bloated and inefficient. Wasn't there some productivity gain to be made?

"There's always a proportion of dead wood in any walk of life," he replied. "The question you have to ask is whether measures of productivity are appropriate to universities. With undergraduates you might want to count heads, but the other thing, clearly, is research."

Charles Darwin, he added, had spent years researching *Origin of Species* and would have failed any modern productivity test applied by the Universities Funding Council. "My philosophy is – and this has nothing to do with my socialist leanings – if you really want to get good research out of people then you shouldn't have them looking over their shoulder to see whether they are still going to have a job in a year's time. People have got to feel that they can sit around – maybe not quite as long as Darwin did – but at least not feel that pressure.

"The thing in Britain is that the politicians continue to run it as though it was a super-power, spending for example vast sums of money on the Falklands War (which incidentally I regarded as unnecessary) and still spending money on maintaining armaments.

"My feeling about Britain is like Bertrand Russell's, who drew the analogy with Holland's loss of empire in the 17th century. The great things about Britain are the ideas the British have contributed in the arts and in the sciences. The universities are not the only place where this happens: I'm talking equally about the Royal Shakespeare Company, the National Theatre, the art schools and so on. But we should put our money where our strengths are.

"It's so easy to mess a system up and so hard to get it back in running order. The worry is not what's going to happen in the next five or ten years but what's going to be happening – maybe here in America, too – in the long term. Will British universities survive to be productive and creative in 25 years time?"

Do you see yourself working in Britain again?

"Maybe. At the moment we are both very happy here."

All at sea in the America's Cup

***Keith Wheatley** on the wonderland world of international yachting politics*

WESTERN diplomats are not the only people agonising over what parts of the former Soviet Union to recognise and legitimise. In San Diego, officials of the forthcoming America's Cup are having to choose between rival entries from Leningrad – now St Petersburg – and Moscow.

With only two weeks remaining until the first races of the three-month challenger elimination series, the St Petersburg group have a registered, paid-up Cup entry, but no boat, while Moscow has air-freighted its hi-tech 75 ft sloop to California but has no *locus standi* with the regatta's authorities.

Tom Ehman, chief executive of the America's Cup organising committee, has written to the two sides urging the obvious compromise. However, a nation unable to agree on who controls its Black Sea fleet is in no hurry to harmonise over the America's Cup.

Which brings one to the Croatian challenge. (The perfect correspondent to cover this year's America's Cup would be Lewis Carroll). Named *Zara* after an ancient Dalmatian city, the wooden boat – all other competitors have used carbon fibre construction – has reached a boatyard in Venice, courtesy of an Italian sailing enthusiast and fairy godfather named Marcon Cantoni.

There *Zara* is likely to remain. The Yugoslav war and Cantoni's finances make that a near certainty. The America's Cup has always been an event for dreamers and romantics, but they need deep pockets.

The actual racing begins next Tuesday when the two defender syndicates meet for the first of dozens of races between *Stars & Stripes* and *America*³. *Stars & Stripes* is skippered by Dennis Conner, the Cup's answer to Jack Nicklaus. No man has won the trophy more times, or expended more time and energy on its pursuit.

Against him is Bill Koch, a patrician East Coast oil billionaire who took up yacht racing only in the mid-1980s. So far Koch has built three of the new America's Cup class yachts (one in complete secrecy at a US aerospace facility), acquired a 200-strong payroll and spent more than \$50m (£27.4m) of his own money.

Koch's obsession has become worthy of a gothic novel, in particular since he declines to let a professional helmsman take the wheel and intends to steer himself. It is owner participation without precedent at this level of sport. Does the Aga Khan ride in the Prix d'Arc de Triomphe, Gianni Agnelli drive a Ferrari at Monza?

"It's like letting Lee Iacocca race against Mario Andretti," sighed one of Koch's crew during a recent practice regatta. Not that the 52-year-old skipper lacks practice, application or talent. His spare frame, clad in habitual white shorts, polo shirt and deck shoes, has spent hundreds of hours steering the yacht in practice races trying to lift himself from the level of the scratch golfer to someone who can stalk the greens with Faldo or Ballesteros.

Koch is no softie. Five years ago he fought his brothers through two years of litigation for control of the \$17bn-a-year Koch Industries. Unforgiveable allegations were made in court. Bill Koch left with in excess of \$800m compensation.

"The whole story would make the TV series *Dallas* or *Dynasty* look like a playpen. It was horrible to sit in court opposite your brothers and watch your family life disintegrate," says Koch. He seems to use the saga as armour against those who predict that the brutalities of the Cup could destroy a rich amateur with his ego on the line. "If I got through the court case, then the America's Cup should be fairly easy."

Of the challengers, who start racing on January 25, the Italian group *Il Moro di Venezia* and the New Zealanders are regarded as joint favourites. The series of three round robins followed by semi-finals and finals is once more sponsored to the tune of around \$10m (£5.4m) by the French luggage company Louis Vuitton, now part owned by Guinness.

Il Moro, skippered and led by French-American sailor Paul Cayard, have built a sequence of five yachts over the past two years. No design stone has been left unturned and the group has remained stable and purposeful: Anglo-Saxon characteristics that have never before featured highly in an Italian challenge for the Cup.

Confident that he has a fast boat under his feet, Cayard is focussing on another opponent – Catalina Eddy. This is a meteorological system that begins over the eponymous island off Los Angeles and makes San Diego one of the hardest places in the world in which to predict the weather. Cayard reckons that a good many races this spring will be won or lost by a sudden wind shift.

"What are the syndicates doing to minimise the luck factor?," asks Cayard. "With as much as \$50m on the line, is there going to be an accurate way to predict the wind?" Despite all the on-board computers and satellite met data faxed to the shore base, the answer seems to be No.

According to Cayard, boats only 200 metres apart can often experience a 7-degree difference in wind direction and a one-knot difference in speed. He calls it scary but, for the minnows in the Cup fleet, this may be their chance to step over the highly-prepared Italians and Kiwis.

Spirit of Australia, led by Iain Murray and Peter Gilmour, who created the *Kookaburra* campaign in the '86-'87 Cup, is "poor" in Cup terms and running on a financial shoestring. Yet Murray's design finesse and Gilmour's fine intuitive helming must make them a good outside bet for the challenger finals.

Of the other European teams, France is the best-funded and prepared but appears to have a slow boat and little time to fix it. Sweden is short of everything and Spain appears to be participating largely to celebrate the quintocentenary.

Unfortunately, British participation consists largely of supplying gear to virtually every syndicate, plus the input of Welsh international helmsman Edward Warden Owen as coach to the New Zealand team.

If the Kiwis win the Cup, perhaps Anglesey will mount a challenge for 1995?

■ More Sport – Page XIII

Greys and Reds

Michael Thompson-Noel

I AM FAIRLY well in with the Hollywood crowd – Arnie, Jack, Warren, Melanie, Jane, Diane. All seek my advice.

Arnie called yesterday, worried, as ever, about box office returns and the price of property out towards Malibu.

"Arnie," I carolled, "Arnie, *baby*, of course times are hard. Budgets are being slashed, star salaries axed. The new word on the street is: less equals more, small is beautiful. But that doesn't mean *you*, Arnie.

"With you, more equals *big*. That's still where it's at. Which doesn't mean to say that a guy like you, Arnie, political ambitions, shouldn't tread warily. You gotta watch your scripts, Arnie. And you gotta watch your weight. But *Malibu*, Arnie? Who needs problems? Try Series 6 certificates or Ecu-linked deposits. Or cocoa, Arnie. My instincts tell me cocoa. Or just conceivably emeralds. I'll give you a number, a guy in Tel Aviv."

About the only man in Hollywood I haven't met is Jack Valenti, president of the Motion Picture Association of America, who sounds to me a splendid character, at his best when under fire. Which is just as well, given the mess in which Hollywood finds itself.

Is Valenti downcast by Hollywood's downfall? No, he is not. "People are not satisfied with the dreary plausibilities of everyday living," he maintains. "They want to be entertained. Which is why American movies are wanted and watched everywhere on this weary, wracked planet."

According to Jack, Hollywood's main problem is that it has neglected its "kinship" with its audiences, offering them less than it was capable of and less than they deserve. But Jack has a message. And the message is this: "When competition for funding grows tense and the struggle for an audience's favour tightens, the creative curve inevitably ascends."

How true that is, how gleamingly insightful. Which is why, last night, I faxed off to Jack, out there in Hollywood, the synopses of four scripts on which I and my underwriters, my talented deputies, are currently labouring. It is scripts like these that will save the movie industry. They are tense with creativity and aimed at family audiences. Moreover, I know a way to film all four for less than \$800,000 – about 1 per cent of what Spielberg spent on *Hook*.

HAWKS & HANDSAWS

These were the synopses:

■ *The Greys and The Reds: The Inside Story of a British General Election*. The Greys are headed by a nice man in glasses, the Reds by a loquacious Welshman. Michael Caine plays both parts. In the run-up, both sides wage an unforgiving war of lies, insults and statistics, with five-star general Paddy Ashram, leader of the cruelly outnumbered Third Wave party, mortally wounded in the crossfire. But as the pundits analyse the competing promises of the Greys and Reds, realisation dawns: the parties are indistinguishable, their room for manoeuvre identically circumscribed.

So the Greys and Reds join forces. All minority parties are voted into extinction and the Grey-Red party wins every seat. At once, they devalue the pound, lower all taxes (except for the royal family, which is to be taxed severely) and declare the rest of the year a public holiday. There is delirium in the streets.

■ *Saddam: The Final Reckoning*. Ennobled and deeply loved, Countess Thatcher *still* writhes with grief at the thought of the monster of Baghdad lurking in his subterranean palace. "He was my greatest challenge," she laments, "but he was snatched from me." So she pressures her chums in the oil business to finance an expeditionary force. After weeks of bloody hand-to-hand combat, Saddam is overthrown and Iraq liberated. "I have confronted the Minotaur in his labyrinth, and I have slain him," declares the countess as the camera pans the burning skyline.

■ *The Man From Hyper Space*. An alien visits Earth and sets himself up as a media mogul. He buys hundreds of businesses. Also soccer clubs. He is larger than life. Everyone is afraid of him. But then he dies, washed from his yacht one black night. But he is not really dead. During his time on Earth he has amassed \$400bn by circulating funds between his companies at almost the speed of light. So he climbs into his spacecraft and returns to his own world, where \$400bn is not to be sniffed at, despite relativity.

■ *The Impossible Dream*. The story of a British boxer who wins the world heavyweight title. Still at the early planning stage: there are major credibility problems.

Late last night, Jack Valenti rang from Hollywood. "Michael, *baby*, I *love* the synopses. They have comedy, tragedy, pathos, bathos. Audiences will be electrified. They're just what we need on this weary, wracked planet."